

TOWN OF BEAN STATION, TENNESSEE

FINANCIAL STATEMENTS

June 30, 2020

TOWN OF BEAN STATION, TENNESSEE
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June 30, 2020

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TOWN OF BEAN STATION, TENNESSEE
TOWN OFFICIALS
June 30, 2020

MAYOR:

Ben Waller

ALDERMEN:

Mickey Ankrom
Jeff Atkins
Eddie Douglas
Patsy Harrell

CMFO & RECORDER:

Barbara Wolfe

DAVID M. ELLIS

Certified Public Accountant

*Member, American Institute of
Certified Public Accountants*

*Member, Tennessee Society of
Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Aldermen
Town of Bean Station
Bean Station, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information, of the Town of Bean Station, Tennessee, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Bean Station, Tennessee's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Town of Bean Station, as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund, State Street Aid Fund, and Drug Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bean Station, Tennessee's basic financial statements. The schedule of town officials on page 1 and the supplementary information on pages 28 through 31 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of town officials on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

The supplementary information on pages 28 through 31 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated October 5, 2021, on my consideration of the Town of Bean Station, Tennessee's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Bean Station, Tennessee's internal control over financial reporting and compliance.



David M. Ellis, CPA
Greeneville, Tennessee
October 5, 2021

TOWN OF BEAN STATION, TENNESSEE
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended June 30, 2020

As management of the Town of Bean Station, Tennessee (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. Please note the Town presents prior comparative financial information when available.

Financial Highlights

Key financial highlights for the year ended June 30, 2020 are as follows:

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$866,128 (net position).
- The Town's net position increased \$327,862 in the current year in 2020 compared to an increase of \$248,098 in 2019. The significant change from the prior year was mainly due to grant funding received in the current year that affected revenue.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$616,972, an increase of \$226,554 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, police, and street.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund and the drug fund.

The Town adopts an annual appropriated budget for its general fund and drug fund. A budgetary comparison statement has been provided for the general and drug fund to demonstrate compliance with the budgets.

The basic governmental fund financial statements can be found on pages 11-18 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-26 of this report.

Government-Wide Financial Analysis

The Town presents its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB34), Basic Financial Statements – and Management’s Discussion and Analysis (MD&A) – for state and local governments.

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town, the net position increased \$327,862 in the current year resulting in ending net position of \$866,128.

The largest portion of the Town’s net position (68%) consist of its unrestricted net position and this net position may be used to meet the Town’s ongoing obligations to citizens and creditors.

The second largest portion of net position (29%) reflects its investment in capital assets (land, building, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town’s net position (3%) represents resources that are subject to external restrictions on how they may be used.

The Town of Bean Stations’ net position and changes in net position are as follows:

	<u>6/30/2019</u>	<u>6/30/2020</u>
Assets		
Current & Other Assets	\$ 529,646	\$ 671,360
Capital Assets (net)	716,162	766,675
Total Assets	<u>1,245,808</u>	<u>1,438,035</u>
Liabilities		
Current Liabilities	202,484	169,724
Long-Term Liabilities	505,058	402,183
Total Liabilities	<u>707,542</u>	<u>571,907</u>
Net Position		
Net Investment In Capital Assets	147,847	249,155
Restricted	17,057	26,695
Unrestricted	373,362	590,278
Total Net Position	<u>\$ 538,266</u>	<u>\$ 866,128</u>

At the end of the current fiscal year, the Town is able to report a positive balance in the net position for all position categories.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The following is a summary of financial activities for the Town during the fiscal year ended June 30, 2020:

	<u>6/30/2019</u>	<u>6/30/2020</u>
Program Revenue		
Operating Revenue:		
Charges for Services	\$ 221,723	\$ 260,888
Operating Grants & Contributions	148,400	123,589
Capital Grants & Contributions	-	287,556
General Revenue:		
Taxes	733,215	798,558
Other	398,067	72,019
Interest Income	597	201
Total Revenue	<u>1,502,002</u>	<u>1,542,811</u>
Expenses	<u>1,330,317</u>	<u>1,214,949</u>
Total Expenses	<u>1,330,317</u>	<u>1,214,949</u>
Change In Net Position	<u>171,685</u>	<u>327,862</u>
Beginning Net Position	<u>366,581</u>	<u>538,266</u>
Ending Net Position	<u>\$ 538,266</u>	<u>\$ 866,128</u>

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$616,972, an increase of \$226,554 in comparison with the prior year. Approximately 83% of this total amount or \$510,529 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved for the street aid or drug fund.

Capital Assets and Debt Administration

The Town's capital assets net of accumulated depreciation for its governmental activities as of June 30, 2020, totaled \$766,675. This investment in capital assets includes land, buildings, equipment, land improvements and idle property.

A summary of capital assets net of accumulated depreciation is presented below:

<u>Capital Assets</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Land	\$ 287,762	\$ 280,292
Buildings	302,927	301,138
Park	56,189	45,438
Machinery & Equipment	69,284	81,247
Vehicles	84,359	58,560
Total Capital Assets (net)	\$ 800,521	\$ 766,675

Additional information on the Town's capital assets can be found in Note 2 on page 23 of this report.

Debt Administration

For the year ending June 30, 2020, the Town issued no new additional debt. A summary of the outstanding debt is presented below:

	<u>6/30/2019</u>	<u>6/30/2020</u>
Notes Payable	\$ 652,674	\$ 517,520
Total Outstanding Debt	\$ 652,674	\$ 517,520

Economic Factors & Next Year's Budget & Rates

In developing the budget, the Town's appointed and elected officials take a number of factors into consideration with the economic environment being one consideration. The Town of Bean Station is located in Grainger County, Tennessee. The Town derives the majority of its revenues through state shared revenues, local sales tax options, and user charges for services rendered as the Town does not have a property tax. For the 2019-20 year, no significant changes were made in the General Fund budget.

Requests for Information

This financial report is designed to provide a general overview of the Town of Bean Station's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Town of Bean Station, 785 Main Street, Bean Station, TN 37708.

TOWN OF BEAN STATION, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2020

ASSETS	Governmental Activities
Cash in Bank - Checking	\$ 459,508
Certificates of Deposit	14,345
Due from other Governments	156,939
Accounts Receivable (net)	13,873
Restricted Assets	26,695
Capital Assets (net of accumulated depreciation):	
Land	280,292
Park	45,438
Buildings	301,138
Machinery & Equipment	81,247
Vehicles	58,560
Total Assets	1,438,035
LIABILITIES	
Accrued Expenses/Accounts Payable	54,387
Notes Payable - current	115,337
Total Current Liabilities	169,724
NONCURRENT LIABILITES	
Notes Payable - noncurrent	402,183
Total Liabilities	571,907
NET POSITION	
Net Investment In Capital Assets	249,155
Restricted	26,695
Unrestricted	590,278
Total Net Position	\$ 866,128

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF BEAN STATION, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions/Programs	Expenses	PROGRAM REVENUES			Net (Expense) Revenue	Governmental Activities
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions		
Primary Government						
Governmental Activities:						
General Government	\$ 308,518	\$ -	\$ -	\$ -	\$ (308,518)	
City Court	-	145,904	-	-	145,904	
Highways and Streets	164,737	95,777	-	-	(68,960)	
City Park	37,189	6,555	-	-	(30,634)	
Drug Fund	3,009	12,652	-	-	9,643	
Public Safety - Police	383,690	-	8,991	-	(374,699)	
Public Safety - Emergency Services	317,806	-	-	287,556	(30,250)	
State Street Aid	-	-	114,598	-	114,598	
Other Intergovernmental	-	-	-	-	-	
Total Governmental Activities	1,214,949	260,888	123,589	287,556	(542,916)	
Change in Net Position						(542,916)
General Revenues						
Sales Tax						650,478
Beer Tax						84,734
Income Tax						1,346
FVA Replacement Tax						37,562
Other Tax						24,438
Investment Earnings						201
Miscellaneous						72,019
Total General Revenues						870,778
Increase (Decrease) in Net Position						327,862
Net Position-Beginning						538,266
Net Position-Ending						\$ 866,128

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF BEAN STATION, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Drug Fund	State Street Aid Fund	Total Governmental Funds
Assets				
Cash in Bank - Checking	\$ 388,247	\$ 26,700	\$ 71,256	\$ 486,203
Certificates of Deposit	14,345	-	-	14,345
Accounts Receivable	13,873	-	-	13,873
Due from other Governments	148,452	-	8,487	156,939
Total Assets	\$ 564,917	\$ 26,700	\$ 79,743	\$ 671,360
Liabilities				
Accounts Payable	16,764	-	-	16,764
Other Accrued Expenses	37,624	-	-	37,624
Total Liabilities	54,388	-	-	54,388
Fund Balances				
Nonspendable	-	-	-	-
Restricted:				
Drug Fund	-	26,700	-	26,700
State Street Aid Fund	-	-	79,743	79,743
Assigned	-	-	-	-
Unassigned	510,529	-	-	510,529
Total Fund Balance	510,529	26,700	79,743	616,972
Total Liabilities and Fund Balance	\$ 564,917	\$ 26,700	\$ 79,743	\$ 671,360

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund Balances - Total Governmental Funds	\$ 616,972
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	766,676
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.	(517,520)
Net Position of Governmental Activities	\$ 866,128

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF BEAN STATION, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General Fund	Drug Fund	State Street Aid Fund	Total Governmental Funds
REVENUE				
Local Taxes				
Local Sales Tax	\$ 372,243	\$ -	\$ -	\$ 372,243
Business Tax	740	-	-	740
Cable TV Franchise Tax	19,783	-	-	19,783
Lodging Tax	3,915	-	-	3,915
Local Beer Tax	83,303	-	-	83,303
Total Local Taxes	479,984	-	-	479,984
Intergovernmental Revenues				
Sales Tax	278,235	-	-	278,235
Street Maintenance	6,064	-	108,535	114,599
Beer Tax	1,431	-	-	1,431
Income Tax	1,346	-	-	1,346
TVA Replacement Funds	37,562	-	-	37,562
State Supplemental Grants	95,777	-	-	95,777
	276,547	-	-	276,547
Total State of Tennessee	696,962	-	108,535	805,497
Other Revenue				
City Court Fines & Police Fines	145,904	12,652	-	158,556
Interest Income	201	-	-	201
Licenses & Permits	1,658	-	-	1,658
Parks & Recreation	6,555	-	-	6,555
Miscellaneous	97,830	-	-	97,830
Total Other Revenue	252,148	12,652	-	264,800
Total Revenue	1,429,094	12,652	108,535	1,550,281
EXPENDITURES				
General Government				
Salaries	92,480	-	-	92,480
Employee Benefits	53,908	-	-	53,908
Telephone & Utilities	20,285	-	-	20,285
Legal & Auditing	6,087	-	-	6,087
Insurance	53,640	-	-	53,640
Publications, Subscriptions, & Dues	10,846	-	-	10,846
Maintenance & Repairs	7,553	-	-	7,553
Travel	135	-	-	135
Office Expense	13,292	-	-	13,292
Other	22,857	-	-	22,857

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF BEAN STATION, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General Fund	Drug Fund	State Street Aid Fund	Total Governmental Funds
Public Relations	2,704	-	-	2,704
Equipment	2,018	-	-	2,018
Supplies	2,012	-	-	2,012
Donations	156	-	-	156
Total General Government	287,973	-	-	287,973
Police				
Salaries	264,285	-	-	264,285
Employee Benefits	27,313	-	-	27,313
Vehicle Expense	37,839	-	-	37,839
Training	-	-	-	-
Supplies	16,220	-	-	16,220
Uniforms	5,114	-	-	5,114
Travel	1,500	-	-	1,500
Other	3,769	3,009	-	6,778
Equipment	1,957	-	-	1,957
Total Police	357,997	3,009	-	361,006
Emergency Services Department				
Fire	294,731	-	-	294,731
Rescue Squad	3,000	-	-	3,000
E-911	20,075	-	-	20,075
Total Emergency Services Department	317,806	-	-	317,806
Highways & Streets				
Street Maintenance	181,811	-	-	181,811
Total Highways & Streets	181,811	-	-	181,811
State Street Aid				
Street Improvements	-	-	-	-
Total State Street Aid	-	-	-	-
City Park				
Salaries	1,950	-	-	1,950
Operating Supplies	4,992	-	-	4,992
Other	8,389	-	-	8,389
Utilities	6,556	-	-	6,556
Total City Park	21,887	-	-	21,887

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF BEAN STATION, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General Fund	Drug Fund	State Street Aid Fund	Total Governmental Funds
Debt Service				
Principal	73,040	-	62,116	135,156
Interest	5,061	-	13,027	18,088
Total Debt Service	78,101	-	75,143	153,244
Total Expenditures	1,245,575	3,009	75,143	1,323,727
Excess (Deficiency) of Revenues Over (Under) Expenditures	183,519	9,643	33,392	226,554
Net Change in Fund Balance	183,519	9,643	33,392	226,554
Fund Balance - Beginning	327,010	17,057	46,351	390,418
Fund Balance - Ending	\$ 510,529	\$ 26,700	\$ 79,743	\$ 616,972

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 226,554
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital additions in the current period.	(33,848)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	135,156
Increase (Decrease) in Net Position	\$ 327,862

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF BEAN STATION, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE
- BUDGET & ACTUAL -GENERAL FUND
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Amended	Actual	
<u>REVENUE</u>				
Local Taxes				
Local Sales Tax	\$ 330,000	\$ 330,000	\$ 372,243	\$ 42,243
Cable TV Franchise Tax	19,500	19,500	19,783	283
Lodging Tax	3,500	3,500	3,915	415
Wholesale Beer Tax	67,000	67,000	83,303	16,303
Total Local Taxes	420,000	420,000	479,244	59,244
Intergovernmental Revenues				
Sales Tax	265,000	265,000	278,235	13,235
State Income Tax	22,500	22,500	1,346	(21,154)
Beer Tax	1,000	1,000	1,431	431
State Maintenance/Supplemental	115,000	115,000	101,841	(13,159)
TVA Replacement Funds	25,000	25,000	37,562	12,562
Federal/State/Other Grants	41,000	41,000	276,547	235,547
Total Intergovernmental Revenues	469,500	469,500	696,962	227,462
Fines & Forfeitures				
City Court Fines & Police Fines	103,914	103,914	145,904	41,990
Total Fines & Forfeitures	103,914	103,914	145,904	41,990
Licenses & Permits				
Beer License	500	500	1,658	1,158
Business License	800	800	740	(60)
City Court Fines & Police Fines	425	425	-	(425)
Total Licenses and Permits	1,725	1,725	2,398	673
Other Revenue				
Interest Income	400	400	201	(199)
Parks & Recreation	-	-	6,555	
Miscellaneous	29,152	44,152	97,830	53,678
Total Other Revenue	29,552	44,552	104,586	53,479
TOTAL REVENUES	\$ 1,024,691	\$ 1,039,691	\$ 1,429,094	\$ 382,848
<u>EXPENDITURES</u>				
General Government				
Salaries	95,892	95,242	92,480	2,762
Planning	3,300	3,300	-	3,300
Election	2,000	2,000	-	2,000
Employee Benefits	102,600	85,130	53,908	31,222
Insurance	70,000	66,000	53,640	12,360
Janitorial Service	2,600	2,600	-	2,600
Telephone & Utilities	\$ 16,600	\$ 18,400	\$ 20,285	\$ (1,885)

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF BEAN STATION, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE
- BUDGET & ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Amended		
Legal & Auditing	7,100	7,100	6,087	1,013
Publications, Subscriptions, & Dues	14,520	14,520	10,846	3,674
Travel	3,200	400	135	265
Office Expense	14,100	13,650	13,292	358
Other	10,600	33,550	22,857	10,693
Public Relations	3,500	3,500	2,704	796
Repairs and Maintenance	7,500	7,500	7,553	(53)
Supplies	500	850	2,012	(1,162)
Equipment	500	500	2,018	(1,518)
Donations	1,050	1,050	156	894
Total General Government	355,562	355,292	287,973	67,319
 PUBLIC SAFETY				
Police Department				
Salaries	259,112	259,112	264,285	(5,173)
Employee Benefits	-	-	27,313	(27,313)
Vehicle Expense	40,000	37,900	37,839	61
Supplies	5,050	5,050	16,220	(11,170)
Training	1,500	1,500	-	1,500
Uniforms	1,500	1,500	5,114	(3,614)
Travel	1,500	1,500	1,500	-
Other	9,250	7,550	3,769	3,781
Equipment	2,500	2,500	1,957	543
Total Police Department	320,412	316,612	357,997	(41,385)
Emergency Services Department				
Fire	3,000	3,000	294,731	(291,731)
Rescue Squad	3,000	3,000	3,000	-
E-911	20,075	20,075	20,075	-
Total Emergency Services Department	26,075	26,075	317,806	(291,731)
Total Public Safety	346,487	342,687	675,803	(333,116)
 City Park				
Salaries	3,000	3,000	1,950	1,050
Operating Supplies	6,500	6,500	4,992	1,508
Other	3,000	3,410	8,389	(4,979)
Utilities	4,100	7,130	6,556	574
Total City Park	16,600	20,040	21,887	(1,847)
 Highways & Streets				
Street Maintenance	236,246	251,876	181,811	70,065
Total Highways & Streets	236,246	251,876	181,811	70,065

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF BEAN STATION, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE
- BUDGET & ACTUAL -GENERAL FUND
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget - Positive (Negative)
	Original	Amended		
Debt Service				
Principal	76,417	76,417	73,040	3,377
Interest	-	-	5,061	(5,061)
Total Debt Service	<u>76,417</u>	<u>76,417</u>	<u>78,101</u>	<u>(1,684)</u>
TOTAL EXPENDITURES	\$ 1,031,312	\$ 1,046,312	\$ 1,245,575	\$ (199,263)
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ (6,621)	\$ (6,621)	\$ 183,519	\$ 190,140
Other Financing Sources (Uses)				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(6,621)</u>	<u>(6,621)</u>	<u>183,519</u>	<u>190,140</u>
FUND BALANCE - BEGINNING	<u>327,010</u>	<u>327,010</u>	<u>327,010</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 320,389</u>	<u>\$ 320,389</u>	<u>\$ 510,529</u>	<u>\$ 190,140</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF BEAN STATION, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE
- BUDGET & ACTUAL -
DRUG FUND
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<u>REVENUE</u>				
Drug Fund Fines				
Fines & Revenues	\$ 8,000	\$ 8,000	\$ 12,652	\$ 4,652
Total Revenue	8,000	8,000	12,652	4,652
<u>EXPENDITURES</u>				
Drug Fund				
Drug Enforcement	12,000	12,000	3,009	8,991
Drug Fund Expenditures-Capital Outlay	3,000	3,000	-	3,000
Total Expenditures	15,000	15,000	3,009	3,000
Excess (Deficiency) of Revenue Over (Under) Expenditures	(7,000)	(7,000)	9,643	7,652
Net Change in Fund Balance	(7,000)	(7,000)	9,643	7,652
FUND BALANCE - BEGINNING	17,057	17,057	17,057	-
FUND BALANCE - ENDING	\$ 10,057	\$ 10,057	\$ 26,700	\$ 7,652

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF BEAN STATION, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE
- BUDGET & ACTUAL -
STATE STREET AID FUND
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<u>REVENUE</u>				
State Street Aid Fund				
Revenues	\$ 111,000	\$ 111,000	\$ 108,535	\$ (2,465)
Total Revenue	111,000	111,000	108,535	(2,465)
<u>EXPENDITURES</u>				
State Street Aid Fund				
State Street Aid	75,143	75,143	75,143	-
Total Expenditures	75,143	75,143	75,143	-
Excess (Deficiency) of Revenue Over (Under) Expenditures	35,857	35,857	33,392	(2,465)
Net Change in Fund Balance	35,857	35,857	33,392	(2,465)
FUND BALANCE - BEGINNING	46,351	46,351	46,351	-
FUND BALANCE - ENDING	\$ 82,208	\$ 82,208	\$ 79,743	\$ (2,465)

TOWN OF BEAN STATION, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Town of Bean Station, Tennessee (the “Town”) operates under a Board of Mayor and Aldermen form of government and provides the following services as authorized by its charter: Public Safety-Police, Highways and Streets, Sanitation, Public Improvements, Planning and Zoning and General Administrative Services.

The Town’s financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of these notes to the basic financial statements. In determining the financial reporting entity, the Town has no component units at June 30, 2020 over which the Town exercises significant influence.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Net Position and Fund Equity classifications are classified depending on whether they are presented in the government-wide statements or the fund financial statements.

Government-wide Statements- Net Position is classified and displayed in three components:

- 1) Net Investment in Capital Assets- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding borrowings attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation. The Town's policy is generally to use restricted net position first, as appropriate opportunities arise.
- 3) Unrestricted- All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund equity is classified as fund balance. Fund balances are classified into the following categories:

- Nonspendable fund balances comprise those amounts that are legally or contractually required to remain intact.
- Restricted fund balances comprise those amounts constrained to be used for a specific purpose by external parties, constitution provisions, or enabling legislation.
- Committed fund balances comprise those amounts constrained by the government itself using its highest level of authority.
- Assigned fund balances are amounts intended to be used for a specific purpose by the governing body through action other than the highest level of authority.
- Unassigned fund balances are any amounts other than those described above and are available for any purpose.

The Town's highest level of decision-making authority is the Board of Mayor and Alderman. This board may establish, modify, or rescind committed or assigned fund balances by majority vote. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Town's policy to use unassigned resources first, then assigned and committed resources as needed.

C. Measurement Focus, Basis of Accounting, & Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues

are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within sixty days of the end of the current fiscal period for local and state shared revenue and 365 days for grant revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Funds-Major:

Governmental Fund

General Fund – The general fund is the general operating fund of the Town. All financial resources, except those required to be accounted for in another fund, are accounted for in the general fund.

State Street Aid Fund – Accounts for state shared revenues and expenditures specifically restricted for street use.

Funds Non-major:

Special Revenue Funds:

Drug Fund – Accounts for drug related revenues and expenditures specifically restricted for drug related use.

D. Budgets & Budget Accounting

The Town of Bean Station is required by state law to adopt budgets for the General Fund and Drug Fund. The annual budgets for these funds and the proprietary fund are prepared in accordance with the basis of accounting utilized by that fund. According to the Town’s charter, appropriations need not be in more detail than a lump sum for each department. This budget is published in a local newspaper before the public hearing. A public hearing is held on the proposed budget ordinance before final adoption. The Town has the authority to make amendments to the budget as deemed necessary.

E. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date of donation. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. For the year ending June 30, 2020, there was \$0 interest capitalized to any construction projects.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	10 to 50 years
Vehicles	5 to 10 years
Other Equipment	5 to 10 years

F. Deposits & Investments

The Town is allowed to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Tennessee or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Tennessee or the United States; (4) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "AA" or its equivalent; (5) certificates of deposit issued by state and national banks domiciled in Tennessee that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or secured by obligations mentioned above; and (6) fully collateralized direct repurchase agreements having a defined termination date.

Custodial credit risk is the risk that in the event of a bank failure the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2020, the Town had no funds exposed to custodial credit risk because all balances were properly insured.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Accounts Receivable

Accounts receivable of \$170,812 is stated at recorded amount less allowance for uncollectible accounts of \$0. Net estimated realizable value of \$170,812 is reported on the statement of net position.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element of deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 2 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 287,762	\$ -	\$ 7,470	\$ 280,292
Total Capital Assets Not Being Depreciated	287,762	-	7,470	280,292
Capital Assets Being Depreciated:				
Buildings	402,077	7,500	-	409,577
Equipment	296,129	34,000	26,388	303,741
Park	225,540	-	-	225,540
Vehicles	362,262	-	8,143	354,119
Total Capital Assets Being Depreciated	1,286,008	41,500	34,531	1,292,977
Less: Accumulated Depreciation for:				
Buildings	(99,150)	(9,289)	-	(108,439)
Equipment	(226,843)	(21,682)	(26,031)	(222,494)
Park	(169,351)	(10,751)	-	(180,102)
Vehicles	(277,904)	(26,155)	(8,500)	(295,559)
Total Accumulated Depreciation	(773,248)	(67,877)	(34,531)	(806,594)
Total Capital Assets Being Depreciated (net)	512,760	(26,377)	-	486,383
Governmental Activities Capital Assets (net)	\$ 800,522	\$ (26,377)	\$ 7,470	\$ 766,675

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General Government	\$ 14,507
Police Department	25,693
Park	10,751
Highways & Streets	16,926
Total Depreciation - Governmental Activities	<u>67,877</u>

NOTE 3 – GENERAL FUND NOTES PAYABLE

Direct borrowings and direct placements of long-term debt activity for the year ended June 30, 2020, was as follows:

Obligation	Principal Balance 6/30/2019	Additions	Reductions	Principal Balance 6/30/2020
Citizens Bank & Trust Co. of Grainger County 312	\$ 62,509	\$ -	\$ 20,271	\$ 42,238
Citizens Bank & Trust Co. of Grainger County 675	44,308	-	23,770	20,538
Citizens Bank & Trust Co. of Grainger County 784	2,207	-	2,207	-
Citizens Bank & Trust Co. of Grainger County 624	9,338	-	9,338	-
Citizens Bank & Trust Co. of Grainger County 560	474,043	-	62,116	411,927
Citizens Bank & Trust Co. of Grainger County 896	15,051	-	4,874	10,177
Citizens Bank & Trust Co. of Grainger County 936	45,218	-	12,578	32,640
	\$ 652,674	\$ -	\$ 135,154	\$ 517,520

The Town's direct borrowings and direct placements long-term debt consisted of the following at June 30, 2020:

On February 21, 2014, the Town borrowed from Citizens Bank & Trust Co. with the original amount of \$154,112 secured by Town Hall Building. The note bears interest at a rate of 2.63% per year.	20,538
On June 18, 2013, the Town borrowed from Citizens Bank & Trust Co. with the original amount of \$135,000 secured by Police Vehicles. The note bears interest at a rate of 2.75% per year.	42,238
On March 24, 2016, the Town borrowed from Citizens Bank & Trust Co. with the original amount of \$650,000 for street repairs. The note bears interest at a rate of 2.81% per year.	411,927
On June 19, 2017, the Town borrowed from Citizens Bank & Trust Co. with the original amount of \$24,5150 secured by Street Vehicle. The note bears interest at a rate of 2.94% per year.	10,177
On December 21, 2017, the Town borrowed from Citizens Bank & Trust Co. with the original amount of \$52,000 secured by 8.5 acres of Town Land. The note bears interest at a rate of 3.49% per year.	<u>32,640</u>
Total	517,520
Less: Amounts due within one year	<u>(115,337)</u>
Total long-term debt	<u>\$ 402,183</u>

The following is a summary of the Town's future annual direct borrowings and direct placements debt service requirements:

Year Ending June 30	Principal	Interest	Total
2021	\$ 115,337	\$ 13,862	\$ 129,199
2022	97,313	11,143	108,456
2023	72,782	8,617	81,399
2024	74,891	6,509	81,400
2025	77,094	4,306	81,400
2026-2029	80,103	2,063	82,166
Total	\$ 517,520	\$ 46,500	\$ 564,020

NOTE 4 – RISK MANAGEMENT

The Town is exposed to various risks of losses related to damage or destruction of assets, injuries to employees or theft. To manage this risk the Town carries commercial insurance policies designed to minimize exposure. Past experience indicates this approach is adequate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 5 – SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through October 5, 2021 the date the financial statements were available to be issued. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the Town and the duration cannot be estimated at this time.

TOWN OF BEAN STATION, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL
ASSISTANCE
For the year ended June 30, 2020

<u>Grantor</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
FEDERAL AWARDS:			
U.S. Department of Housing and Urban Development			
Pass-through State of Tennessee			
Community Development Block Grant			
Program			
	14.228	33004-91418	<u>\$ 260,297</u>
Total Federal Awards			<u><u>\$ 260,297</u></u>
State Financial Assistance			
Tennessee Department of Safety and Homeland Security			
- Enforcement of Tennessee Driving			
Under th Influence Law			
		Z19THSO17	<u>\$ 10,340</u>
Total State Financial Assistance			<u><u>\$ 10,340</u></u>

Note 1 - Basis of Presentation: The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the Town of Bean Station, Tennessee under programs of the federal and state governments for the year ended June 30, 2020. The schedule is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133; therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

TOWN OF BEAN STATION, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
June 30, 2020

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2019	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2020
Capital Outlay Notes									
Citizens Bank & Trust Co. of Grainger County 312	\$ 135,000	2.750%	6/18/2013	6/18/2022	\$ 62,509	\$ -	\$ 20,271	\$ -	\$ 42,238
Citizens Bank & Trust Co. of Grainger County 675	\$ 154,112	2.630%	2/21/2014	2/21/2021	44,308	-	23,770	-	\$ 20,538
Citizens Bank & Trust Co. of Grainger County 784	\$ 85,000	5.750%	6/28/2011	6/27/2021	2,207	-	2,207	-	\$ -
Citizens Bank & Trust Co. of Grainger County 624	\$ 60,000	2.750%	4/11/2013	4/8/2020	9,338	-	9,338	-	\$ -
Citizens Bank & Trust Co. of Grainger County 560	\$ 650,000	2.810%	3/24/2016	3/20/2026	474,043	-	62,116	-	\$ 411,927
Citizens Bank & Trust Co. of Grainger County 896	\$ 24,515	2.940%	6/19/2017	3/27/2022	15,051	-	4,874	-	\$ 10,177
Citizens Bank & Trust Co. of Grainger County 936	\$ 52,000	3.490%	12/21/2017	12/1/2027	45,218	-	12,578	-	\$ 32,640
					\$ 652,674	\$ -	\$ 135,154	\$ -	\$ 517,520

See Independent Auditor's Report

TOWN OF BEAN STATION
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
June 30, 2020

	Citizens Bank 3312		Citizens Bank 4675		Citizens Bank 9560		Citizens Bank 0896		Citizens Bank 1936		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	20,809	990	20,538		63,890	11,282	5,010	184	5,090	1,405	115,337	13,862
2022	21,427	426			65,693	9,450	5,168	35	5,025	1,231	97,313	11,143
2023					67,578	7,565			5,204	1,052	72,782	8,617
2024					69,503	5,640			5,388	869	74,891	6,509
2025					71,511	3,632			5,582	674	77,094	4,306
2026					73,751	1,580			5,782	475	79,533	2,055
2027									570	8	570	8
	<u>\$ 42,236</u>	<u>\$ 1,417</u>	<u>\$ 20,538</u>	<u>\$ -</u>	<u>\$ 411,927</u>	<u>\$ 39,150</u>	<u>\$ 10,177</u>	<u>\$ 220</u>	<u>\$ 32,640</u>	<u>\$ 5,713</u>	<u>\$ 517,520</u>	<u>\$ 46,499</u>

The source(s) of the above schedule of notes payable(s) are from amortization schedules provided by client.

The loan amortization schedules were prepared using client original loan document(S) (using original loan amounts, dates, interest rates, and other necessary information) These schedules can be found in the client's permanent file kept on site at the office DME, CPA.

These schedules are used to prepare financial statements related to separation of S/T vs L/T Payable amounts and for the Notes to show future payment schedules reporting as required.

Total principal ties to confirmation for each loan CC-2

TOWN OF BEAN STATION, TENNESSEE
SCHEDULE OF CASH SHORTAGES AND OTHER THEFTS - CURRENT AND PRIOR YEARS
FOR THE PERIOD FEBRUARY 1, 2016 TO FEBRUARY 11, 2020

Fiscal Year First Reported	Department	Original Audit Finding Number/ Reference	Original Amount of Shortage	Beginning/ Carry- Forward Balance	Current Year Shortage	Current Year Reductions	End of Year Balance
1 2019	Police Department	2020-006	\$ 1,980	\$ 1,980	\$ -	\$ 1,980	\$ -

1. Police Department

The audit for the 2018 - 2019 year reported a theft of \$1,980 in the police department. A special investigation was conducted by the Tennessee Comptroller's Office and is addressed in their report released in January of 2021. The theft was a result of confiscated drug funds being stolen by an employee of the department.

Disposition: The employee was terminated as a result of the theft. The town received restitution and recovered \$1,980 of the theft on February 14, 2020. On January 20, 2020, the employee plead guilty in Grainger County Criminal Court.

DAVID M. ELLIS

Certified Public Accountant

*Member, American Institute of
Certified Public Accountants*

*Member, Tennessee Society of
Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Mayor and Alderman
Town of Bean Station, Tennessee
Bean Station, Tennessee

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Bean Station, Tennessee, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Bean Station, Tennessee's basic financial statements and have issued my report thereon dated October 5, 2021.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Bean Station, Tennessee's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Bean Station, Tennessee's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Bean Station, Tennessee's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitation, during my audit I did not identify any

deficiencies internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as items [2020-001, 2020-0003, 2020-004] that I considered to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Bean Station, Tennessee's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and recommendations as items. [2020-002, 2020-005, 2020-006, 2020-007].

Town of Bean Station, Tennessee's Response to Findings

The Town of Bean Station, Tennessee's response to the finding identified in my audit is described in the accompany schedule of findings and recommendations and the corrective action plan. Town of Bean Station, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



David M. Ellis, CPA
Greeneville, TN
October 5, 2021

TOWN OF BEAN STATION, TENNESSEE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2020

2020-001 Inadequate Segregation of Duties

Condition: The Town has one employee who primarily receives and records collections, prepares deposits, and takes deposits to the banks.

Criteria: Responsibilities and control over related transaction sequences should be divided such that one or few employees do not have sole custody or authority over all aspects of the sequence.

Cause: One employee received, recorded, prepared, and deposited receipted transactions.

Effect: Intentional or unintentional errors could occur and not be detected, resulting in loss to the Town.

Recommendation: The Town should take any possible steps to separate the functions outlined above.

Views of responsible officials and planned corrective actions: Management concurs.

2020-002 Closing of Books

Condition: Closing of books was not completed timely.

Criteria: Tennessee Code Annotated Section 9-2-102 states:

“to require all local governments to close their official accounting records and to have those records available for audit no later than two (2) months after the close of their fiscal year end.”

Cause: Journal entries to close the Town’s accounting cycle and prepare the records for a new accounting cycle were not completed in the two-month requirement after the close of the fiscal year

Effect: The Town is noncompliant with Tennessee state law.

Recommendation: Management should follow procedures to ensure compliance.

Views of responsible officials and planned corrective actions: Management agrees with the finding and has implemented internal controls to strengthen oversight of closing the fiscal year end books.

TOWN OF BEAN STATION, TENNESSEE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2020

2020-003 Audit Adjustments Were Required for Proper Financial Statement Presentation

Condition: At June 30, 2020, certain general ledger accounts were materially incorrect, and significant audit adjustments were required for the financial statements to be free of misstatements at year-end.

Criteria: To generate financial statements that are presented in accordance with generally accepted accounting principles, the Town must have adequate internal controls over the maintenance of its accounting records.

Cause: Revenue and expenditures were not properly recorded and accounted for to ensure accurate and reliable financial reports.

Effect: The Town's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records.

Recommendation: The Town should have appropriate processes in place to ensure that the general ledger and financial statements generated are accurate.

Views of responsible officials and planned corrective actions: Management concurs.

2020-004 Preparation of Financial Statements

Condition: Town of Bean Station is responsible for establishing and maintaining internal control over the fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles (GAAP). The Town does not have a system of internal control that provides reasonable assurance that the financial statements and related disclosures are complete and presented in accordance with GAAP.

Criteria: Town of Bean Station is responsible for internal control over the preparation of the annual financial statements.

Cause: Revenue and expenditures were not properly recorded and accounted for to ensure accurate and reliable financial reports.

Effect: Town personnel are unable to oversee preparation of financial statements in conformity with GAAP.

Recommendation: Consideration should be given to developing or retaining a qualified individual with sufficient skills, knowledge, and experience to participate in the development of the draft of the annual financial statements.

Views of responsible officials and planned corrective actions: We believe the cost to correct the deficiency would exceed the benefits to be derived. However, we believe our knowledge and expertise enables us to review the annual audited financial statements and understand them fully.

TOWN OF BEAN STATION, TENNESSEE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2020

2020-005 General Fund Budgeting

Condition: For the year ending June 30, 2020, because of the lack of control over accounting processes that code expenditures based on an approved budget, those from the General Fund could not be appropriately classified to determine compliance with the approved final budget.

Criteria: Tennessee Code Annotated 6-56-203 states:

“Therefore, notwithstanding any other provision of law, no municipality may expend any moneys regardless of their source, including moneys derived from bond and long-term note proceeds, federal, state or private grants or loans, or special assessments, except in accordance with a budget ordinance adopted under this section or through a proprietary type fund or a fiduciary type fund properly excluded from the budget.”

Cause: Oversight/error

Effect: The approved budget represents the authority to expend Town funds which results in noncompliance with State law.

Recommendation: Expenditures should be coded individually in the general ledger accounts such that actual to budget expenditure comparisons can be made at each meeting, to identify which line items are likely to exceed approved amounts. Budget amendments should be timely made to authorize additional expenditures.

View of responsible officials and planned corrective actions: The budget was amended, however the lack of appropriate coding in the process generated erroneous numbers. Steps will be taken to ensure compliance in the budgeting and reporting areas.

2020-006 General Oversight of Police Department Drug Fund

Condition: The governing board of the Town failed to oversee management practices and activities which resulted in various actual and potential violations of laws, regulations, and Town policies, as well as actual cash losses related to the drug fund.

Criteria: Tennessee Code Annotated, Section 39-17-420 states:

“Moneys in the special revenue fund may be used only for the following purposes: (a) local drug enforcement program; (b) local drug education; (c) local drug treatment program...”

Cause: Oversight/error

Effect: The Police Department Drug Fund suffered cash losses and compliance violations as a result of inadequate oversight. See also the published investigative report from the Comptroller’s office.

Recommendation: Governance oversight of management should be strengthened to deter high level mismanagement.

TOWN OF BEAN STATION, TENNESSEE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2020

View of responsible officials and planned corrective actions: The Board of Mayor and Aldermen and management agree and will restructure as needed to provide adequate oversight in the future.

2020-007 Discrepancies in Payroll Reporting

Condition: The Town has reported different amounts for payroll on its quarterly reports and general ledger.

Criteria: The Internal Revenue Service and Social Security Administration expect accurate amounts to be reported on forms 941, W2 and W3. When discrepancies are discovered, employers may receive a letter from the IRS and be required to submit corrected reports.

Cause: The Town is not consistently using the same software to generate all of the different required reports.

Effect: The Town has reported different amounts for taxable payroll on its Forms 941, State Unemployment Reports, and its general ledger reports.

Recommendation: The software used by the Town should be utilized to prepare all quarterly and annual reports to ensure accuracy.

View of responsible officials and planned corrective actions: The Board of Mayor and Aldermen and management agree and will restructure as needed to provide adequate oversight in the future.

TOWN OF BEAN STATION, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2020

Internal Control Findings

Finding Number	Finding Title	Status
2019-001	Inadequate Segregation of Duties (original finding 2015-001)	Repeated/ 2020-001
2019-003	Audit Adjustments Were Required for Proper Financial Statement Presentation (original finding 2019-003)	Repeated/ 2020-003
2019-004	Preparation of Financial Statements (original finding 2014-001)	Repeated/ 2020-004

Compliance Findings

Finding Number	Finding Title	Status
2019-002	Closing of Books (original finding 2019-002)	Repeated/ 2020-002
2019-005	General Fund Budget (original finding 2017-002)	Repeated/ 2020-005
2019-006	General Oversight of Police Department Drug Fund (original finding 2019-006)	Repeated/ 2020-006

**TOWN OF BEAN STATION
785 MAIN STREET
BEAN STATION, TN 37708
PHONE: (865) 993-3177
FAX: (865) 993-3619**

**TOWN OF BEAN STATION, TENNESSEE
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year End June 30, 2019**

The Town of Bean Station, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2020.

Corrective Action : Financial Statement Findings

Name of Contact Person : Ben Waller Mayor

Finding 2020-001: Segregation of Duties

Corrective Action: The Town will take all possible steps to segregate duties with limited staff.

Completed: June 30, 2021

Finding 2020-002: Closing of Books

Corrective Action: Management will follow procedures of internal control to the best of their ability to ensure compliance.

Completed: June 30, 2021

Finding 2020-003: Audit Adjustments Were Required for Proper financial statement Presentation

Corrective Action: The Town will appropriate procedures to ensure that the general ledger and financial statements are accurate.

Completed: June 30, 2021

Finding 2020-004: Preparation of financial Statements

Corrective Action: The Town feels that the cost to correct the deficiency would exceed the benefits to be derived. We believe our knowledge and expertise enables us to review the annual audited financial statements and understand them.

Completed: June 30, 2021

2020-005: General fund Budgeting

Corrective Action: The budget was amended but the lack of appropriate coding generated erroneous numbers. Steps were implemented to ensure compliance in the budgeting and reporting.

Completed: June 30, 2021

2020-006: General Oversight of Police department Drug Fund

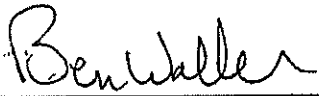
Corrective Action: The Board of Mayor and Aldermen and management agree and will restructure as needed to provide adequate oversight in the future.

Completed: June 30, 2021

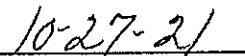
2020-007: Discrepancies in Payroll Reporting

Corrective Action: The Board of Mayor and Aldermen and management agree and will ensure correct period reporting in the future.

Completed: October 5, 2021



Mayor
Town of Bean Station



Date