

CITY OF NEW HOPE
NEW HOPE, TENNESSEE

AUDIT REPORT

June 30, 2022



BEAN, RHOTON & KELLEY, PLLC

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 NEW HOPE, TENNESSEE
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INTRODUCTORY SECTION - UNAUDITED

**CITY OF NEW HOPE
NEW HOPE, TENNESSEE
INTRODUCTORY SECTION - UNAUDITED
June 30, 2022**

ROSTER OF BOARD MEMBERS AND MANAGEMENT OFFICIALS

Mark Myers, Mayor
South Pittsburg, TN

Quinton Choate, Vice-Mayor
South Pittsburg, TN

Mark Phillips, Alderman
South Pittsburg, TN

Jerry Crosslin, Alderman
South Pittsburg, TN

Billy Frame, Alderman
South Pittsburg, TN

Celeste Myers, Prior City Recorder, through June 30, 2022
South Pittsburg, TN

Garrett Rogers, Current City Recorder, as of July 1, 2022
South Pittsburg, TN



INDEPENDENT AUDITORS' REPORT

To the Mayor and Board of Aldermen
City of New Hope, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of the City of New Hope, Tennessee, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of New Hope, Tennessee's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the City of New Hope, Tennessee, as of June 30, 2022, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of New Hope, Tennessee, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of New Hope, Tennessee's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of New Hope, Tennessee's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of New Hope, Tennessee's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Hope, Tennessee's basic financial statements. The accompanying schedules listed in the table of contents as other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and other schedules listed in the table of contents as other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

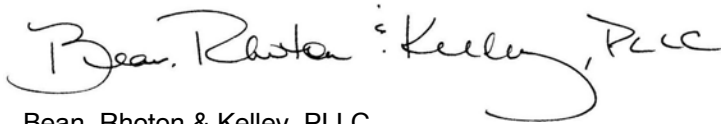
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and Management's Corrective Action Plan but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022, on our consideration of the City of New Hope, Tennessee's internal control over financial reporting and on our 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 our 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 the City of New Hope, Tennessee's 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 City of New Hope, Tennessee's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bean, Rhoton & Kelley, PLLC". The signature is written in dark ink and is positioned above the typed name of the firm.

Bean, Rhoton & Kelley, PLLC
Winchester, Tennessee
December 22, 2022

CITY OF NEW HOPE, TENNESSEE MANAGEMENT DISCUSSION & ANALYSIS

As management of the City of New Hope, Tennessee we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. Readers are encouraged to consider information presented here in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

1. The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$973,647 (net position). Of this amount, \$469,546 is considered unrestricted funds and may be used to meet the government's ongoing obligations to citizens and creditors.
2. The government's total net position increased by \$70,233.
3. As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$762,698, an increase of \$95,350 from the previous year. Approximately 60% of this amount, or \$456,878, is available for spending at the government's discretion (unassigned fund balance).
4. At June 30, 2022 unassigned fund balance for the General Fund was \$456,878 or 177.4% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of New Hope's basic financial statements. The City's basic financial statements comprise 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. These financial statements are designed to provide readers with a broad overview of the City of New Hope's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two 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 City is improving or deteriorating.

The statement of activities presents information showing how the City'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 City that are principally supported by taxes, licenses, and permits, 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 City include general government, police, fire and public works. The City does not maintain a business-type or proprietary activity.

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 City of New Hope, 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 City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the city-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 on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a city'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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of New Hope adopts annual budgets for its general fund.

Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City of New Hope does not maintain a proprietary fund.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The City of New Hope does not maintain a fiduciary fund.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The original budget and amended budget appear on page 15.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a City's financial position. In the case of the City of New Hope, assets exceeded liabilities by \$973,647 at the end of the most recent fiscal year.

**CITY OF NEW HOPE, TENNESSEE
NET POSITION**

Governmental Activities

	<u>2021</u>	<u>2022</u>
Current and other assets	791,313	968,330
Capital assets	<u>236,066</u>	<u>210,949</u>
Total assets	1,027,379	1,179,279
Long-term liabilities outstanding	0	0
Other liabilities	<u>8,499</u>	<u>4,627</u>
Total liabilities	<u>8,499</u>	<u>4,627</u>
 Deferred Inflow of Resources	 <u>115,466</u>	 <u>201,005</u>
Net position:		
Investment in capital assets	236,066	210,949
Restricted for Street	295,205	293,152
Unrestricted	<u>372,143</u>	<u>469,546</u>
Total net position	<u>903,414</u>	<u>973,647</u>

The second largest portion of the City’s net position (30.1%) reflects state shared revenues received for gas and motor fuel taxes and restricted for improvements to City streets that has not yet been spent. The third largest portion (21.7%) reflects the City’s investment in capital assets (for example- land, buildings, vehicles, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City of New Hope’s investment in 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.

Unrestricted net position of \$469,546 may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of New Hope is able to report a positive balance in the category of net position for the government as a whole.

The following is a summary of financial activities for the City during the fiscal year ended June 30, 2022:

**CITY OF NEW HOPE, TENNESSEE
CHANGE IN NET POSITION**

Governmental Activities

	<u>2021</u>	<u>2022</u>
Program revenues:		
Charges for service	10,143	17,044
Operating grants & contributions	95,052	38,258
Capital grants & contributions	0	26,510
General revenues:		
Property Taxes	85,399	63,611
Sales taxes	167,715	169,255
Income taxes	130	67
Intergovernmental taxes	12,880	11,676
Cable franchise fees	13,669	10,813
Other	16,000	<u>15,705</u>
Total general revenues	<u>295,793</u>	<u>271,127</u>
Total Revenues	<u>400,988</u>	<u>352,939</u>
 Expenses:		
General government	141,543	148,012
Police	91,174	90,599
Fire	1,682	4,584
Public Works	<u>25,798</u>	<u>39,511</u>
Total expenses	<u>260,197</u>	<u>282,706</u>
Increase (decrease in net position)	<u>140,791</u>	<u>70,233</u>
Change in net position	140,791	70,233
Net position, beginning	<u>762,623</u>	<u>903,414</u>
Net position, ending	<u>903,414</u>	<u>973,647</u>

Governmental Activities. Governmental activities increased the City of New Hope’s net position by \$70,233.

Financial Analysis of the City’s Funds

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

Governmental funds. The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of New Hope’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City’s net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of New Hope’s governmental funds reported combined ending fund balances of \$762,698, an increase in comparison with the prior year.

The general fund is the chief operating fund of the City of New Hope. At the end of the current fiscal year, unassigned fund balance for the general fund was \$456,878. As a measure of the general fund’s liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 177.4% of total general fund expenditures. The fund balance increased by \$95,350.

General Fund Budgetary Highlights

Actual revenues were \$36,473 more than budgeted due mainly to increased local sales taxes and building permits. Actual expenditures were \$30,111 less than budgeted due primarily to paving expenditures and capital outlay.

Capital Asset and Debt Administration

Capital assets. The City of New Hope’s investment in capital assets for its governmental type activities as of June 30, 2022 amounted to \$210,949 (net of depreciation). This investment includes land, buildings, improvements, machinery, equipment, and infrastructure. There was a vehicle capital asset purchases for the fiscal year; accumulated depreciation increased by \$37,617.

Additional information on the City of New Hope’s capital assets can be found in Note7 on page 21.

**CITY OF NEW HOPE, TENNESSEE
CAPITAL ASSETS
(Net of Depreciation)**

Governmental Activities

	<u>2021</u>	<u>2022</u>
Land	24,800	24,800
Buildings	387,425	387,425
Equipment	81,145	81,145
Vehicles	<u>280,165</u>	<u>292,665</u>
Total capital assets	<u>773,535</u>	<u>786,035</u>
Less: Accumulated depreciation	<u>(537,469)</u>	<u>(575,086)</u>
Net capital assets	236,066	210,949

Long-term Debt. At the end of the fiscal year, the City of New Hope had no debt.

Economic Factors and Next Year’s Budgets and Rates

The following factors were considered in preparing the City of New Hope’s budget for the 2022-23 fiscal year:

Forecast of revenue continues to reflect little growth, however new grant revenue is expected to be \$140,000; expenditures were increased for park capital outlay, a fire vehicle, paving and capital outlay.

Requests for Information

This financial report is designed to provide a general overview of the City of New Hope’s finances for all those with an interest in the City’s finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the City recorder at: City of New Hope, P.O. Box 168, South Pittsburg, Tennessee 37380.

**CITY OF NEW HOPE
NEW HOPE, TENNESSEE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2022**

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Total</u>
CURRENT ASSETS		
Cash	\$ 807,185.49	\$ 807,185.49
Receivables	148,475.61	148,475.61
Prepaid insurance	12,668.42	12,668.42
Capital assets (Note 7):		
Land	24,800.00	24,800.00
Other capital assets, net of depreciation	186,149.20	186,149.20
Total capital assets	<u>210,949.20</u>	<u>210,949.20</u>
Total assets	<u>1,179,278.72</u>	<u>1,179,278.72</u>
LIABILITIES		
Accounts payable and accrued expenses	<u>4,626.87</u>	<u>4,626.87</u>
Total liabilities	<u>4,626.87</u>	<u>4,626.87</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	120,042.31	120,042.31
Deferred grant revenue	<u>80,962.50</u>	<u>80,962.50</u>
Total deferred inflows of resources	<u>201,004.81</u>	<u>201,004.81</u>
NET POSITION		
Investment in capital assets	210,949.20	210,949.20
Restricted for street	293,151.96	293,151.96
Unrestricted	469,545.88	469,545.88
Total net position	<u>\$ 973,647.04</u>	<u>\$ 973,647.04</u>

The accompanying notes are an integral part of the financial statements.

CITY OF NEW HOPE
NEW HOPE, TENNESSEE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities					
General government	\$ 148,011.84	\$ 13,942.00	\$ 0.00	\$ 26,510.00	\$ (107,559.84)
Police	90,599.21	1,051.65	800.00	0.00	(88,747.56)
Fire	4,583.84	2,050.00	0.00	0.00	(2,533.84)
Public works	39,511.02	0.00	37,458.41	0.00	(2,052.61)
Total governmental activities	<u>282,705.91</u>	<u>17,043.65</u>	<u>38,258.41</u>	<u>26,510.00</u>	<u>(200,893.85)</u>
Total primary government	<u>\$ 282,705.91</u>	<u>\$ 17,043.65</u>	<u>\$ 38,258.41</u>	<u>\$ 26,510.00</u>	<u>(200,893.85)</u>
		General revenues:			
		Taxes:			
				Property taxes	63,611.10
				Franchise taxes (fees)	10,813.20
				Sales tax - general	169,255.24
				State income tax	66.60
				State beer tax	450.85
				State sportsbetting tax	977.01
				Local beer tax	6,604.32
				TVA replacment tax	10,247.76
				Unrestricted investment income	2,218.85
				Miscellaneous	6,881.95
				Total general revenues	<u>271,126.88</u>
				Change in net position	70,233.03
				Net Position - Beginning	<u>903,414.01</u>
				Net Position - Ending	<u>\$ 973,647.04</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF NEW HOPE
 NEW HOPE, TENNESSEE
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2022**

	<u>General</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash	\$ 807,185.49	\$ 807,185.49
Property taxes receivable, net	121,673.00	121,673.00
Prepaid insurance	12,668.42	12,668.42
Other receivables	26,802.61	26,802.61
Total assets	<u>\$ 968,329.52</u>	<u>\$ 968,329.52</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 3,213.95	\$ 3,213.95
Current liabilities	1,412.92	1,412.92
Total liabilities	<u>4,626.87</u>	<u>4,626.87</u>
Deferred inflow of resources:		
Property taxes	120,042.31	120,042.31
Grant revenue	80,962.50	80,962.50
Total deferred inflows of resources	<u>201,004.81</u>	<u>201,004.81</u>
Fund balances:		
Restricted	293,151.96	293,151.96
Nonspendable	12,668.34	12,668.34
Unassigned	456,877.54	456,877.54
Total fund balance	<u>762,697.84</u>	<u>762,697.84</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 968,329.52</u>	<u>\$ 968,329.52</u>

The accompanying notes are an integral part of the financial statements.

CITY OF NEW HOPE
NEW HOPE, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2022

Total fund balance per financial statements \$ 762,697.84

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of depreciation, are not reported in this financial statement because they are not current financial resources, but they are reported in the statement of net position.

210,949.20

Net position for governmental activities

\$ 973,647.04

The accompanying notes are an integral part of the financial statements.

**CITY OF NEW HOPE
NEW HOPE, TENNESSEE
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022**

	<u>General</u>	<u>Total Governmental Funds</u>
REVENUES		
Taxes		
Property	\$ 63,611.10	\$ 63,611.10
Sales	225,633.19	225,633.19
Franchise	10,813.20	10,813.20
Fees and fines	3,101.65	3,101.65
Interest income	2,218.85	2,218.85
Licenses and permits	13,942.00	13,942.00
TVA reimbursement	800.00	800.00
Grant revenues	26,510.00	26,510.00
Miscellaneous	6,308.95	6,308.95
Total revenue	<u>352,938.94</u>	<u>352,938.94</u>
EXPENDITURES		
General government	108,563.16	108,563.16
Public safety	109,514.54	109,514.54
Public works	39,511.02	39,511.02
Total expenditures	<u>257,588.72</u>	<u>257,588.72</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>95,350.22</u>	<u>95,350.22</u>
Net change in fund balance	95,350.22	95,350.22
Fund balances - beginning	667,347.62	667,347.62
Fund balances - ending	<u>\$ 762,697.84</u>	<u>\$ 762,697.84</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF NEW HOPE
 NEW HOPE, TENNESSEE
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2022**

Net change in total fund balances per fund financial statements	\$	95,350.22
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Amounts reported for governmental activities in the statement of net position are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are present as assets in the statement of activities and depreciated over their estimated economic lives. The amount by which capital outlays reported in the Governmental Funds (\$12,500.00) is less than depreciation (\$37,617.19) for the year.

(25,117.19)

Change in net position for governmental activities	\$	<u>70,233.03</u>
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The accompanying notes are an integral part of the financial statements.

**CITY OF NEW HOPE
NEW HOPE, TENNESSEE
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
For the Year Ended June 30, 2022**

	Budgetary Amounts (Original and Final)	Actual Amounts	Variance with Budget-Positive (Negative)
Revenues			
Property taxes	\$ 67,000.00	\$ 63,611.10	\$ (3,388.90)
Local sales tax	36,000.00	54,860.49	18,860.49
Local beer tax	2,400.00	6,604.32	4,204.32
Franchise taxes	12,000.00	10,813.20	(1,186.80)
State sales tax	107,000.00	114,194.12	7,194.12
Gas and fuel tax	40,000.00	35,592.59	(4,407.41)
Special petroleum tax	2,200.00	1,865.82	8,047.76
Federal payments in lieu	13,000.00	10,247.76	(12,200.00)
State police salary supplement	800.00	800.00	0.00
Miscellaneous	2,950.00	6,308.95	3,358.95
State beer tax	500.00	450.85	(49.15)
Fire department donations	50.00	2,050.00	2,000.00
State income tax	0.00	66.60	66.60
State telecom tax	0.00	200.63	200.63
State tax relief	0.00	573.00	573.00
State sportsbetting	0.00	977.01	977.01
Fees and fines	700.00	1,051.65	351.65
Building permits	3,500.00	13,942.00	10,442.00
Interest income	800.00	2,218.85	1,418.85
Grant revenue	26,500.00	26,510.00	10.00
Total revenues	<u>315,400.00</u>	<u>352,938.94</u>	<u>36,473.12</u>
Expenditures			
General government			
Payroll taxes	6,600.00	6,256.21	343.79
Insurance	12,000.00	22,618.00	(10,618.00)
Education and training	600.00	0.00	600.00
City recorder salary	13,250.00	10,716.11	2,533.89
Publications and legal notices	250.00	34.00	216.00
Postage	600.00	0.00	600.00
Memberships	1,800.00	11,448.72	(9,648.72)
Utilities	8,000.00	5,448.77	2,551.23
Telephone	11,000.00	21,549.49	(10,549.49)
911 Expenses	5,500.00	0.00	5,500.00
Legal and professional fees	6,000.00	6,999.06	(999.06)
Accounting and auditing	5,800.00	4,393.00	1,407.00
Repairs and maintenance (grounds & buildings)	0.00	9,661.33	(9,661.33)
Pest control	800.00	0.00	800.00
Building inspector	5,000.00	0.00	5,000.00
Office supplies	1,500.00	2,474.34	(974.34)
Other operating expenses	300.00	2,840.97	(2,540.97)
Garbage pickup	900.00	0.00	900.00
Mowing	8,500.00	0.00	8,500.00
Safety supplies	200.00	0.00	200.00
Contract labor	0.00	7,971.00	(7,971.00)
Park expense	1,600.00	0.00	1,600.00
Park land improvement	10,000.00	0.00	10,000.00
Capital outlay	22,000.00	0.00	22,000.00
Public safety			
Salaries - police	70,400.00	65,509.93	4,890.07
Benefits	2,000.00	4,500.00	(2,500.00)
Salaries - fire	1,300.00	2,221.50	(921.50)
Fire hydrant rent	4,400.00	2,362.34	2,037.66
Small Equipment	1,500.00	14,331.49	(12,831.49)
Repairs and maintenance	8,000.00	3,761.76	4,238.24
Other expenses	100.00	2,408.37	(2,308.37)
Supplies	300.00	0.00	300.00
Clothing and uniforms	0.00	234.00	(234.00)
Gas, oil, fuel	0.00	10,337.31	(10,337.31)
Capital outlay	5,000.00	0.00	5,000.00
Public works			
Paving expenses	50,000.00	39,511.02	10,488.98
Signs	500.00	0.00	500.00
Capital outlay	22,000.00	0.00	22,000.00
Total expenditures	<u>287,700.00</u>	<u>257,588.72</u>	<u>30,111.28</u>
Revenues over expenditures	27,700.00	95,350.22	67,650.22
Fund balance beginning of year	<u>667,347.62</u>	<u>667,347.62</u>	<u>0.00</u>
Fund balance - end of year	<u>\$ 695,047.62</u>	<u>\$ 762,697.84</u>	<u>\$ 67,650.22</u>

There are no differences between budgetary inflows and outflows and GAAP revenues and expenditures.

The accompanying notes are an integral part of the financial statements.

**CITY OF NEW HOPE
NEW HOPE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the City of New Hope conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The following notes to the financial statements are an integral part of the City's basic financial statements.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of New Hope, Tennessee (the primary government) and its component units. The City of New Hope has no component units.

The City's basic financial statements include both government-wide reporting and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental or business type. The City's general administrative services are classified as governmental activities. There are no business-type activities.

Basic Financial Statements-Government-Wide Statements

In the Government-Wide Statement of Net Position, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: investment in capital assets, net of related debt; restricted net position; and unrestricted net position.

The Government-Wide Statement of Activities reports both the gross and the net cost of the City's functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

- The net costs (by function) are normally covered by general revenue.
- The City does not allocate indirect costs.
- This government-wide focus is more on the sustainability of the City as an entity and the change in the Board's net position resulting from the current year's activities.

Basic Financial Statements-Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statement. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Board:

Governmental Funds:

The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Board:

- General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**CITY OF NEW HOPE
NEW HOPE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual:

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Compensated Absences

There were no compensated absences to be accrued.

Capitalized Interest

The City has no capitalized interest.

Current Assets

The City maintains two interest bearing checking accounts. The balance in the accounts at June 30, 2022, is \$807,185.49. The City uses restricted resources only after the unrestricted resources are depleted.

Capital Assets

The City's property, plant and equipment and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements.

On October 26, 2015, the City established a \$500.00 threshold for capitalization of depreciable assets with Resolution #10-15-01. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings/Mains	25-50 years
Improvements	10-20 years
Equipment	3-10 years
Furniture and Fixtures	3-10 years

The City implemented GASB 34 requirements as a phase 3 government, and has elected not to retroactively apply requirements to their fixed asset infrastructure.

**CITY OF NEW HOPE
 NEW HOPE, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Procedures

The first reading of the original budget was passed June 28, 2021, and the second and final reading was passed August 23, 2021. For the year ended June 30, 2022, there was a net positive variance of \$67,650.22 in budgeted to actual amounts.

Budgetary Data

Formal budgetary accounting is employed as a management control for the general funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general funds, and the same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principles basis. All unencumbered appropriations, except project budgets, lapse at the end of each year.

Property Taxes

Property taxes levied by the City are assessed by the Assessor of Property in Marion County and collected by the City. Property tax revenues are recognized on the modified accrual basis. The property tax calendar applicable to the current fiscal year is as follows:

Lien date	January 1, 2021
Levy date	January 1, 2021
Tax bills mailed	October 1, 2021
Payment due date	October 1, 2021, through June 1, 2022
Delinquency date	June 2, 2022

Deferred Revenues

The general fund reported \$201,004.81 in deferred revenues, which consisted of \$120,042.31 in deferred property taxes and \$80,962.50 in deferred ARPA grant funds, and \$148,475.61 in receivables, of which \$121,673.00 was property taxes and \$26,802.61 was intergovernmental taxes.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact. The City has classified prepaid expenses as being nonspendable as these items are not expected to be converted to cash.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. As of June 30, 2022, State Street Aid resources, in the amount of \$293,151.96, are to be used for maintaining state streets.

**CITY OF NEW HOPE
NEW HOPE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification (continued)

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Mayor and Board of Aldermen. These amounts cannot be used for any other purpose unless the Mayor and Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that as employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not report committed resources as of June 30, 2022.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Mayor and Board or Aldermen or through the Mayor and Board or Aldermen delegating this responsibility to the City manager through the budgetary process. The City did not report assigned resources as of June 30, 2022.

Unassigned: This classification includes the residual fund balance for the General Fund.

The City would typically use Restricted fund balance first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to deter the use of these other classified funds.

NOTE 2 – CASH DEPOSITS

The City is authorized to invest in the following types of securities and indebtedness, in accordance with governing statutes:

- Bonds, notes, treasury bills or similar types of indebtedness to the United States.
- Non-convertible debt including Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, and Student Loan Marketing Association.
- Other obligations not specified above which provide guaranteed principal and interest by the United States or any of its agencies.
- Repurchase agreements, which involve obligations of the United States or its agencies, provided the term of the repurchase agreement does not extend beyond the maturity date of the obligation and the market value of the security exceeds the cost of the security.
- Money market funds invested in any of the aforementioned securities.

At year-end, the carrying amount of the City's deposits was \$807,185.49 and entirely covered by federal depository insurance or by the participation of the financial institution in the bank collateral pool administered by the Treasurer of the State of Tennessee.

NOTE 3 – FIRE HYDRANT CONTRACT

A current contract was signed with Marion Natural Gas and the Board of Water Works and Sewers regarding hydrants and their maintenance. Fees were to be assessed as \$150.00 per hydrant per year. The agreement was signed August 7, 1996. Fee costs incurred this year are \$2,362.34.

**CITY OF NEW HOPE
 NEW HOPE, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022**

NOTE 4 – LICENSE AGREEMENT

A license agreement for occupancy and use of the TVA land was effective May 1, 1996, for the Maple View Public Use Area. The cost of license per year is \$0.00. The City will use all income produced from operations on the licensed area solely for its recreational programs, giving first consideration in the expenditure of such income to further recreational use, development, and maintenance of the licensed area. The City is solely responsible for the costs of management, maintenance, repairs, or equipment. The City may establish user fees for day use, pavilion rental, or boat access.

NOTE 5 – RISK FINANCING ACTIVITIES

It is the policy of the City of New Hope to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability and property and casualty. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. Information concerning insurance coverage can be found in the supplemental section of the financial report.

NOTE 6 – FUND BALANCE

	Beginning Fund Balance <u>July 1, 2021</u>	Excess (Deficit) of Expenditures over Revenues	Ending Fund Balance <u>June 30, 2022</u>
General Fund:			
Nonspendable	\$ 12,668.34	\$ 0.00	\$ 12,668.34
Restricted	295,204.57	(2,052.61)	293,151.96
Unassigned	<u>359,474.71</u>	<u>97,402.83</u>	<u>456,877.54</u>
Total	<u>\$ 667,347.62</u>	<u>\$ 95,350.22</u>	<u>\$ 762,697.84</u>

As of these financial statements, the City has adopted GASB Statement No. 54, which redefined how the fund balance of the governmental funds is presented in the financial statements. Fund balances are now classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by the Mayor and Board of Aldermen ordinance or resolution.

Assigned – Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by the Mayor and Board of Aldermen.

Unassigned – All amounts not included in other spendable classifications.

As discussed in Note 1, Restricted funds are used first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to deter the use of these other classified funds.

**CITY OF NEW HOPE
NEW HOPE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022**

NOTE 7 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022, were as follows:

	<u>Beginning Balances</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land and Improvements	\$ 24,800.00	\$ 0.00	\$ 0.00	\$ 24,800.00
Total capital assets not being depreciated	<u>24,800.00</u>	<u>0.00</u>	<u>0.00</u>	<u>24,800.00</u>
Other Capital Assets:				
Buildings	387,425.14	0.00	0.00	387,425.14
Equipment	81,145.29	0.00	0.00	81,145.29
Vehicles	<u>280,164.99</u>	<u>12,500.00</u>	<u>0.00</u>	<u>292,664.99</u>
Total other capital assets	<u>748,735.42</u>	<u>12,500.00</u>	<u>0.00</u>	<u>761,235.42</u>
Less accumulated depreciation	<u>(537,469.03)</u>	<u>(37,617.19)</u>	<u>0.00</u>	<u>(575,086.22)</u>
Other capital assets, net	<u>211,266.39</u>	<u>(25,117.19)</u>	<u>0.00</u>	<u>186,149.20</u>
Governmental activities capital assets, net	<u>\$ 236,066.39</u>	<u>\$ (25,117.19)</u>	<u>\$ 0.00</u>	<u>\$ 210,949.20</u>

NOTE 8 – SUBSEQUENT EVENTS

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. Potential financial impact and duration cannot be reasonably estimated at this time.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF NEW HOPE
 NEW HOPE, TENNESSEE
 OTHER SUPPLEMENTARY INFORMATION
 June 30, 2022**

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

<u>Year of Assessment</u>	<u>July 1, 2021 Amount</u>	<u>Taxes Levied</u>	<u>Collections/ Adjustments</u>	<u>June 30, 2022 Amount</u>
Prior	\$ 27,125.00	\$ 0.00	\$ (3,766.00)	\$ 23,359.00
2018	4,819.00	0.00	(1,122.00)	3,697.00
2019	7,601.00	0.00	(1,882.00)	5,719.00
2020	9,699.00	0.00	(4,702.00)	4,997.00
2021	69,571.49	0.00	(56,785.49)	12,786.00
2022	<u>0.00</u>	<u>71,115.00</u>	<u>0.00</u>	<u>71,115.00</u>
	<u>\$ 118,815.49</u>	<u>\$ 71,115.00</u>	<u>\$ (68,257.49)</u>	<u>\$ 121,673.00</u>

STATEMENT OF TAX RATES AND ASSESSMENTS

I. Tax rates and assessments:

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Appraisal</u>
2012	.19/100	\$ 15,176,654
2013	.35/100	\$ 14,953,193
2014	.35/100	\$ 14,535,990
2015	.35/100	\$ 15,144,228
2016	.35/100	\$ 15,270,297
2017	.3485/100	\$ 15,383,936
2018	.3485/100	\$ 17,124,028
2019	.3485/100	\$ 20,513,508
2020	.3485/100	\$ 18,089,979
2021	.3485/100	\$ 22,529,117
2022	.28/100	\$ 23,073,954

II. Delinquent taxes filed:

The City has elected to collect their own delinquent taxes in accordance with Tennessee Code Annotated, Section 67-5-2005(d).

**CITY OF NEW HOPE
NEW HOPE, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
June 30, 2022**

SCHEDULE OF INSURANCE IN FORCE

Limits of Coverage (per occurrence)			\$	745,979
Property Coverage -				
Buildings and personal property	\$ 1,000	Deductible	\$	707,779
Mobile equipment	\$ 250	Deductible	\$	38,200
Equipment breakdown	\$ 1,000	Deductible	\$	745,979
Automatic Coverages	\$ 1,000	Deductible		various
Crime Coverage -				
Employee dishonesty - per loss	\$ 2,500	Deductible	\$	200,000
Forgery or alteration	\$ 2,500	Deductible	\$	200,000
Theft, disappearance, or destruction	\$ 2,500	Deductible	\$	200,000
Computer fraud	\$ 2,500	Deductible	\$	150,000
Worker's compensation and employers liability -				
Bodily injury by accident - each accident			\$	300,000
Bodily injury by disease - policy limit			\$	700,000
Bodily injury by disease - each employee			\$	300,000
General liability coverage - as limited by the tort liability act				
Bodily injury - per person as limited by the tort liability act			\$	300,000
Bodily injury - per occurrence as limited by the tort liability act			\$	700,000
Property damage - per occurrence as limited by the tort liability act			\$	100,000
Each other loss - per occurrence			\$	700,000
per person or per occurrence-catastrophic medical expense excess of bodily injury			\$	1,000,000
per person and \$10,000 per accident for medical payments			\$	1,000
Fire damage			\$	100,000
Impounded or commandeered property damage			\$	100,000
Non-monetary defense costs			\$	100,000
Errors and Omissions liability coverage - \$2,500 deductible per occurrence for non-monetary defense costs			\$	700,000
			\$	100,000
Automobile liability coverage -				
bodily injury - per person as limited by the tort liability act			\$	300,000
bodily injury - per occurrence as limited by the tort liability act			\$	700,000
Property damage - per occurrence as limited by the tort liability act			\$	100,000
Each other loss - per occurrence			\$	700,000
per person or per occurrence-catastrophic medical expense excess of bodily injury			\$	1,000,000
per person and \$10,000 per accident for medical payments			\$	1,000
per occurrence for bodily injury for uninsured motorists			\$	60,000
per occurrence for property damage for uninsured motorists			\$	100,000
Auto Physical Damage deductible \$500 comprehensive / \$500 collision				

See Accompanying Independent Auditors' Report.

**CITY OF NEW HOPE
 NEW HOPE, TENNESSEE
 OTHER SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2022**

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Federal Grantor/ Pass - Through Grantor	Program/Cluster Name	CFDA Number	Contract Number	Expenditures
<u>State Financial Assistance</u>				
Tennessee Peace Officer Standards and Training Commission	Police Salary Supplement	N/A	-	\$ 800.00
State of Tennessee Department of Finance and Administration	Direct Appropriations	N/A	-	12,500.00
Total State Financial Assistance				<u>\$ 13,300.00</u>

Note 1 - Basis of Presentation: The accompanying Schedule of Expenditures of State Financial Assistance summarized the expenditures of the City of New Hope under programs of the state government for the year ended June 30, 2022. The schedule is presented using the modified accrual basis of accounting.

See Accompanying Independent Auditors' Report.

INTERNAL CONTROL AND COMPLIANCE SECTION



INDEPENDENT AUDITORS' 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 Mayor and Board of Aldermen
City of New Hope, Tennessee

We have audited, in accordance with the 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 and major fund of the City of New Hope, Tennessee, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of New Hope, Tennessee's basic financial statements and have issued our report thereon dated December 22, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of New Hope, Tennessee's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of New Hope, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of New Hope, 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.

Our 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items that we consider to be significant deficiencies. [2022-001].

Report on Compliance and Other Matters

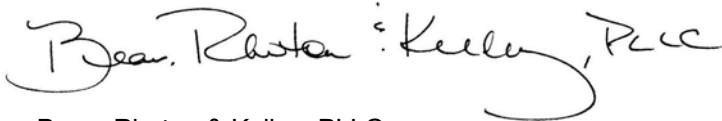
As part of obtaining reasonable assurance about whether the City of New Hope, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our 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 responses as item [2022-002].

City of New Hope, Tennessee's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of New Hope, Tennessee's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of New Hope, Tennessee's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our 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.

A handwritten signature in cursive script that reads "Bean, Rhoton & Kelley, PLLC". The signature is written in black ink and is positioned above the typed name of the firm.

Bean, Rhoton & Kelley, PLLC
Winchester, Tennessee
December 22, 2022

**CITY OF NEW HOPE
NEW HOPE, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022**

- I. Summary of Auditors' Results
- A. The June 30, 2022 auditor's report expresses an unmodified opinion on whether the financial statements of the City of New Hope were prepared in accordance with GAAP.
 - B. Significant deficiencies in internal control relating to the audit of the financial statements are reported in the *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* in finding 2022-001.
 - C. No material weaknesses relating to the audit of the financial statements are reported in the *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*.
 - D. Instances of noncompliance, which are required to be reported in accordance with Government Auditing Standards, were disclosed in the *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* in finding 2022-002.
- II. Findings Related to the Financial Statements, which are required to be reported in accordance with *Government Auditing Standards*.

(2022-001) Segregation of Duties

Condition, Criteria, Cause and Effect:

In our review of the overall accounting controls of the City's accounting system, we found several areas where proper segregation of duties might be obtained. Adequate segregation of duties is important to facilitate controls and maintain adequate safeguards over the City's assets. Without the proper segregation and accountability, the City could incur losses with respect to the misuse of City assets.

Recommendation:

A thorough study of the internal control aspect of the accounting system should be considered by the City.

City's Comment:

The Board is currently not capable of establishing a complete segregation of duties as a result of the time requirements necessary for the board members and a lack of funding available for additional staff.

(2022-002) Closing of Official Accounting Records

Condition, Criteria, Cause & Effect:

Tennessee Code Annotated (TCA) section 9-2-102 states that "it is the duty of all local governments that are subject to the audit requirements of the comptroller of the treasury and that handle public funds to close their official accounting records and to have those records available for audit no later than two months after the close of the fiscal year. The City failed to close their official accounting records within two months after the close of the fiscal year. As a result, the City was not in compliance with TCA section 9-2-102.

Recommendation:

In the future, the City should comply with this requirement by closing their official accounting records no later than two months after the close of the fiscal year.

City's Comment:

The records will be closed by the CPA firm hired as a consultant to the City.

CITY OF NEW HOPE
 SCHEDULE OF PRIOR YEAR FINDINGS
 June 30, 2022

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2021-001	Segregation of Duties (original finding #2009-001)	Repeated/2022-001
2021-002	Budget (original finding #2009-006)	Corrected
2021-003	Closing of Official Accounting Records (original finding #2021-003)	Repeated/2022-002

CITY OF NEW HOPE

P. O. BOX 168 - SOUTH PITTSBURG, TENNESSEE 37380

Management's Corrective Action Plan

(2022-001) Segregation of Duties

Recommendation: A thorough study of the internal control aspect of the accounting system should be considered by the City.

Action taken: The Board is currently not capable of establishing a complete segregation of duties as a result of the time requirements necessary for the board members and a lack of funding available for additional staff.

Person responsible: Mark Myers

Anticipated completion date for the corrective action: To be reviewed on an annual basis

(2022-002) Closing of Official Accounting Records

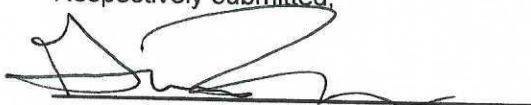
Recommendation: In the future, the City should comply with this requirement by closing their official accounting records no later than two months after the close of the fiscal year.

Action taken: The records will be closed by the CPA firm hired as a consultant to the City.

Person responsible: CPA firm hired as a consultant to the City.

Anticipated completion date for the corrective action: June 30, 2023.

Respectively submitted,



Garrett Rogers, City Recorder
City of New Hope