

CITY OF NEW MARKET, TENNESSEE

FINANCIAL STATEMENTS

JUNE 30, 2022

**CITY OF NEW MARKET, TENNESSEE**  
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**June 30, 2022**

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**CITY OF NEW MARKET, TENNESSEE  
CITY OFFICIALS  
June 30, 2022**

<b>MAYOR:</b>	Danny Whillock
<b>ALDERMEN:</b>	Maurice Solomon Frank Solomon David Stapleton Lori Stiner Tucker
<b>RECORDER:</b>	Gloria Larrance
<b>CITY ATTORNEY:</b>	Doug Drinnon
<b>CITY COURT CLERK:</b>	Summer Smith
<b>CITY JUDGE:</b>	Ed Stiner
<b>POLICE CHIEF:</b>	Joey Rush

**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  
City of New Market  
New Market, Tennessee

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

I have audited the accompanying financial statements of the governmental activities, and each major fund, of the City of New Market, 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 Market, Tennessee's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the City of New Market, Tennessee as of June 30, 2022, and the respective changes in financial position, and the respective budgetary comparison of the General Fund, State Street Aid Fund and the Drug Fund, for the year ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

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Greeneville, Tennessee 37743  
(423) 787-0855 • Fax (423) 639-0124

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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

My 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 my 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*, I:

- 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 Market'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of New Market's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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 on pages 5 through 10 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. 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.

### ***Supplementary Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Market's basic financial statements. The supplementary information section, as listed in the table of contents, is presented for purposes of additional analysis and is 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 my opinion, the schedule of property taxes receivable, schedule of tax rates and assessments, schedule of changes in lease obligations, the schedule of general long-term debt principal and interest requirements by fiscal year, and the schedule of expenditures of federal awards and state financial assistance, 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 City Officials on page 1 but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my 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, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated May 11, 2023, on my consideration of the City of New Market'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 the City of New Market'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 the City of New Market's internal control over financial reporting and compliance.



David M. Ellis, CPA  
Greeneville, TN 37743  
May 11, 2023

**CITY OF NEW MARKET, TENNESSEE  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Year Ended, June 30, 2022**

As management of the City of New Market, Tennessee (i.e., the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2022. We encourage readers to consider this information in conjunction with the basic financial statements, the notes to the financial statements and other supplementary information which has been provided.

**Financial Highlights**

Key financial highlights for the year ended June 30, 2022 are as follows:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1,678,404.
- The City's total net position increased \$499,569 during the current year.
- As of June 30, 2022, the City's General Fund reported a fund balance of \$695,126 which was a \$131,885 increase over the prior year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City'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 basic financial statements. The 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 City's finances in a manner similar to private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between these reported as net position. Over time, increases or decreases in net position serves 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 positions changed during the most recent year. All changes in net positions 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 and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, fire, police, state street aid, recreation, and the drug fund operations.

## **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 Market, 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 are governmental 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 on balances of spendable resources available at the end of the year. Such information may be useful in evaluating the City's near-term financial requirements.

Because the focus of governmental funds is narrower than that of 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. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and activities.

The City maintains three 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 balances for the general fund, state street aid fund, and drug fund of which all are considered to be major funds.

The City adopts an annual budget for its governmental funds and budgetary comparison information is located in the basic financial statements or in supplementary information.

## **Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **Required & Other Supplementary Information**

In addition to the basic financial statements and accompanying notes, additional supplementary information can be found in sections of this report.

## **Government-Wide Financial Analysis**

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

As noted earlier, net position changes over time and serves as a useful indicator of the City’s financial position. In the case of the City, its overall net position increased \$499,569 in the current year.

The largest portion of the City’s net position reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The restricted section of the City’s net position represents resources that are subject to external restrictions on how they may be used. The unrestricted is a positive number which increases the amount that is actually available for restricted assets. This would make it easier for the government to meet ongoing obligations to its citizens and creditors.

The City of New Market’s net position and changes in net position are presented below:

	<b>Governmental Activities</b>		
	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>Change</u>
<b>Assets</b>			
Current & Other Assets	\$ 1,038,538	\$ 971,849	\$ 66,689
Capital Assets (net)	1,019,960	619,273	400,687
<b>Total Assets</b>	<b>2,058,498</b>	<b>1,591,122</b>	<b>467,376</b>
<b>Liabilities</b>			
Current Liabilities	162,650	181,369	(18,719)
Other Liabilities	16,589	32,389	(15,800)
<b>Total Liabilities</b>	<b>179,239</b>	<b>213,758</b>	<b>(34,519)</b>
<b>Deferred Inflows of Resources</b>	<b>200,855</b>	<b>198,529</b>	<b>2,326</b>
<b>Net Position</b>			
Net Investment in Capital Assets	987,570	571,834	415,736
Restricted	95,310	73,044	22,266
Unrestricted	595,524	533,957	61,567
<b>Total Net Position</b>	<b>\$1,678,404</b>	<b>\$1,178,835</b>	<b>\$ 499,569</b>

A portion (6%) of the net position is restricted for use by the drug and state street aid funds. The remaining balance of net position represents unrestricted net position (35%). At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for the City as a whole.

	<b>Governmental Activities</b>		
	6/30/2022	6/30/2021	Change
<b>Revenue</b>			
Charges for Services	\$ 227,426	\$ 211,475	\$ 15,951
Operating Grants/Contributions	47,223	48,270	(1,047)
Capital Grants/Contributions	276,765	-	276,765
In-lieu of Tax	14,006	15,248	(1,242)
Wholesale Beer Tax	25,126	23,183	1,943
Local Sales Tax	372,577	334,627	37,950
Income Tax	236	1,406	(1,170)
Other Taxes	12,793	10,656	2,137
Property Tax	197,644	193,368	4,276
Miscellaneous	103,931	134,239	(30,308)
<b>Total Revenue</b>	<b>1,277,727</b>	<b>972,472</b>	<b>305,255</b>
<b>Expenses</b>			
General Government	191,385	157,532	33,853
Public Safety - Police/Fire	309,408	278,476	30,932
Drug Fund Operations	18	11,490	(11,472)
Public Works	159,371	130,504	28,867
State Street Aid	44,846	40,290	4,556
City Court	64,725	63,333	1,392
Recreation	8,405	6,136	2,269
<b>Total Expenses</b>	<b>778,158</b>	<b>687,761</b>	<b>90,397</b>
<b>Change in Net Position</b>	<b>499,569</b>	<b>284,711</b>	<b>214,858</b>
<b>Beginning Net Position</b>	<b>1,178,835</b>	<b>894,124</b>	<b>284,711</b>
<b>Ending Net Position</b>	<b>\$ 1,678,404</b>	<b>\$ 1,178,835</b>	<b>499,569</b>

The City's net position increased by \$499,569 during the current fiscal year. The change in net position can primarily be attributed to several large grants received during the year.. The City's main source of revenues is from local and state-shared taxes which consist of tax revenue shared by the State of Tennessee, local option sales tax, and cable T.V. franchise tax.

### **General Government**

Includes the executive, legislative and judicial branches of the City. Also included are the municipal building operations and its maintenance.

### **Public Safety**

Includes all activities of the police department and hydrant upkeep. The public safety fund also provides funding to the New Market Volunteer Fire Department.

### **Drug Enforcement**

Includes activities to eradicate illegal drug use.

**Public Works**

Includes the operation and maintenance of streets, sidewalks, alleys, and roads.

**State Street Aid**

Includes using the gas taxes that are restricted for the maintenance of the City's roads, sidewalks, and streets.

**Recreation**

Includes activities to maintain the parks.

**Financial Analysis of the City's Funds**

As noted earlier, the City 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 the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending in the next fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$690,834. In the governmental funds, revenues and other sources totaled \$1,277,726 while expenditures totaled \$1,193,893 resulting in a \$83,833 increase to fund balance.

**General Fund Budgetary Highlights**

Actual revenues were over final budgeted revenues by \$173,300 and actual expenditures were over final budgeted expenditures by \$41,415.

**Capital Assets**

The City's investment in capital assets for its governmental activities as of June 30, 2022, totaled \$1,019,960 (net of accumulated depreciation). The investment in capital assets includes land, buildings, machinery and equipment, and vehicles. A summary of the capital assets are as follows:

	<b>Governmental Activities</b>		<b>Change</b>
	<u>6/30/2022</u>	<u>6/30/2021</u>	
<b>Capital Assets</b>			
Land	\$ 69,474	\$ 69,474	\$ -
Buildings and Improvements	348,456	88,079	260,377
Machinery and Equipment	547,563	395,811	151,752
Vehicles	54,467	65,909	(11,442)
<b>Total Capital Assets (net)</b>	<b>\$ 1,019,960</b>	<b>\$ 619,273</b>	<b>\$ 400,687</b>

### **Economic Factors & Next Year's Budget & Rates**

In developing the budget, the City's appointed and elected officials take a number of factors into consideration with the economic environment being one consideration. The City is located in Jefferson County, Tennessee. The City derives the majority of its revenues through state shared revenues, local sales tax options, and property taxes. For the 2022-2023 year, no significant changes were made in the budget.

### **Debt Administration**

The City has a debt to the Internal Revenue Service for past unpaid payroll taxes dating back to 2010 when the former city recorder failed to remit payroll taxes when due and payable. A payment plan has been established at an amount of \$1,000 per month and the City has been paying \$5,000 per month to pay down this debt. As of June 30, 2022, \$79,496 remains on this debt.

### **Lease Agreement**

On March 11, 2019, the City entered into a five-year lease agreement for two police vehicles with a total amount of \$75,427. Terms of the lease stipulate five yearly payments of \$17,417 each. The balance of the remaining lease was \$32,390 as of June 30, 2022.

### **Contacting the City's Financial Management**

This report is designed to provide those interested with a general overview of the City's finances. If you have questions about this report or need additional information, contact the City Recorder at the City of New Market, P.O. Box 300, New Market, Tennessee 37820.

**CITY OF NEW MARKET, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

<b>ASSETS</b>	<b>Governmental Activities</b>	
<b>Current Assets</b>		
Cash & Cash Equivalents	\$ 641,364	
Receivables: Due From Other Governmental Units	92,016	
Property Taxes Receivable	<u>213,446</u>	
Total Current Assets		\$ 946,826
<b>Restricted Assets</b>		
Cash & Cash Equivalents	83,538	
Due From Other Governmental Units	<u>8,174</u>	
Total Restricted Assets		91,712
<b>Right to Use Leased Assets - Net of Amortization</b>		49,028
<b>Capital Assets Not Being Depreciated</b>		
Land	<u>69,474</u>	
Total Capital Assets Not Being Depreciated		69,474
<b>Capital Assets Net of Depreciation</b>		
Buildings	348,457	
Machinery and Equipment	441,760	
Vehicles	<u>111,241</u>	
Total Capital Assets Net of Depreciation		<u>901,458</u>
<b>TOTAL ASSETS</b>		<u>\$ 2,058,498</u>

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

**CITY OF NEW MARKET, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

**LIABILITIES**

**Current Liabilities**

Accrued Liabilities	\$	67,353	
Payroll Taxes		79,496	
Lease Payable - Current		<u>15,801</u>	
Total Current Liabilities			162,650

**Long Term Liabilities**

Lease Payable - Long-Term		<u>16,589</u>	
Total Long Term Liabilities			<u>16,589</u>

**TOTAL LIABILITIES** 179,239

**DEFERRED INFLOW OF RESOURCES**

Deferred Current Property Taxes		<u>200,855</u>	
Total Deferred Inflow of Resources			<u>200,855</u>

**NET POSITION**

Net Investment in Capital Assets		938,542	
Restricted			
Drug Enforcement Fund		17,210	
State Street Aid		78,100	
Unrestricted		<u>644,552</u>	
<b>TOTAL NET POSITION</b>			<u><u>\$ 1,678,404</u></u>

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

**CITY OF NEW MARKET, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**For the Year ended June 30, 2022**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>			<u>Expenses/Revenues</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Capital Grants &amp;</u>	<u>Changes in Net</u>
		<u>Services</u>	<u>&amp; Contributions</u>	<u>Contributions</u>	<u>Position</u>
					<u>Governmental</u>
					<u>Activities</u>
<b>Primary Government</b>					
Governmental Activities:					
General Government	\$ 191,385	\$ 28,145		\$ 276,765	\$ 113,525
Public Safety-Police/Fire	309,408	194,678			(114,730)
Public Works	159,371				(159,371)
Cultural and Recreational	8,405				(8,405)
State Street Aid	44,846		47,223		2,377
Drug Enforcement	18	4,603			4,585
City Court	64,725				(64,725)
Total Governmental Activities	<u>778,158</u>	<u>227,426</u>	<u>47,223</u>	<u>276,765</u>	<u>(226,744)</u>
					<b>Change in Net Position (226,744)</b>
					<b>General Revenues</b>
					Sales Tax 372,577
					Beer Tax 25,126
					TVA Replacement Tax 14,006
					Cable Franchise Fee 12,793
					Property Tax Revenue 197,644
					Miscellaneous 104,167
					<u>Total General Revenues 726,313</u>
					<b>Increase (Decrease) in Net Position 499,569</b>
					<b>Net Position-Beginning 1,178,835</b>
					<u><b>Net Position-Ending \$ 1,678,404</b></u>

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

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

	General Fund	State Street Aid	Drug Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 641,364	\$	\$	\$ 641,364
Receivables:				
Due From Other Governmental Units	92,016			92,016
Property Taxes Receivable	213,446			213,446
Restricted Assets:				
Cash and Cash Equivalents		69,926	13,612	83,538
Due From Other Funds	99,602		3,598	103,200
Due From Other Governmental Units		8,174		8,174
<b>Total Assets</b>	<b>\$ 1,046,428</b>	<b>\$ 78,100</b>	<b>\$ 17,210</b>	<b>\$ 1,141,738</b>
<b>LIABILITIES</b>				
Accrued Liabilities	67,353			67,353
Due to Other Funds	3,598	99,602		103,200
Payroll Taxes Payable	79,496			79,496
<b>Total Liabilities</b>	<b>150,447</b>	<b>99,602</b>		<b>250,049</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred-Current Property Taxes	188,264			188,264
Unavailable Revenues	12,591			12,591
<b>Total Deferred Inflows of Resources</b>	<b>200,855</b>			<b>200,855</b>
<b>FUND BALANCES</b>				
Non-spendable				
Committed				
Assigned				
Restricted		(21,502)	17,210	(4,292)
Unassigned	695,126			695,126
<b>Total Fund Balances</b>	<b>695,126</b>	<b>(21,502)</b>	<b>17,210</b>	<b>690,834</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,046,428</b>	<b>\$ 78,100</b>	<b>\$ 17,210</b>	<b>\$ 1,141,738</b>

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

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

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

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 690,834</b>
Long-term liabilities, including leases payable are not due and payable in the current period and therefore are not recorded in the funds.	(32,390)
Capital assets used in governmental activities of \$1,742,600 net of accumulated depreciation of \$722,640 are not cunent financial resources and, therefore, are not reported in the Governmental Fund.	<u>1,019,960</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 1,678,404</u></b>

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

**CITY OF NEW MARKET, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2022**

	General Fund	State Street Aid	Drug Fund	Total Governmental Funds
<b>REVENUES</b>				
Local taxes	\$ 451,611	\$	\$	\$ 451,611
Intergovernmental Revenue	444,065	47,223		491,288
Fines	194,678			194,678
Building Permits	14,733			14,733
Miscellaneous Revenue	108,020			108,020
Cable TV Franchise Tax	12,793			12,793
Drug Fund			4,603	4,603
Total Revenues	1,225,900	47,223	4,603	1,277,726
<b>EXPENDITURES</b>				
General Government	456,032			456,032
Public Safety-Police/Fire	336,767			336,767
Public Works	232,672			232,672
Cultural and Recreational	3,819			3,819
State Street Aid		99,860		99,860
City Court	64,725			64,725
Drug Fund			18	18
Total Expenditures	1,094,015	99,860	18	1,193,893
<b>Net Change in Fund Balances</b>	<b>131,885</b>	<b>(52,637)</b>	<b>4,585</b>	<b>83,833</b>
<b>Fund Balances - Beginning</b>	<b>563,241</b>	<b>31,135</b>	<b>12,625</b>	<b>607,001</b>
<b>Fund Balances - Ending</b>	<b>\$ 695,126</b>	<b>\$ {21,502}</b>	<b>\$ 17,210</b>	<b>\$ 690,834</b>

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

**CITY OF NEW MARKET, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2022**

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

<b>Net Change in Fund Balances</b>	\$	<b>83,833</b>
Repayment of long-term liabilities, including leases payable are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.		15,050
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays (\$466,338) exceed depreciation expense (\$65,511) in the period.		400,686
Change in net position of governmental activities	\$	<b>499,569</b>

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

**CITY OF NEW MARKET, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE**  
**- BUDGET & ACTUAL -**  
**GENERAL FUND**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	
<b>REVENUE</b>				
<b>Taxes</b>				
Local Option Sales Tax	\$ 160,000	\$ 170,000	\$ 218,774	\$ 48,774
Wholesale Beer Tax	20,000	20,000	24,510	4,510
Local Property Tax	190,250	190,250	197,644	7,394
Local Business Tax	6,000	6,000	10,683	4,683
<b>Total Taxes</b>	376,250	386,250	451,611	65,361
<b>Intergovernmental Revenue</b>				
State Sales Tax	125,000	130,000	153,802	23,802
State Income Tax		1,500	236	(1,264)
State Beer Tax	600	600	616	16
State Street Aid	2,600	2,600	2,488	(112)
TVA in Lieu	16,000	16,000	14,006	(1,994)
State Pay Supplement	2,400	2,400	800	(1,600)
Other State Revenues	10,000	250,600	243,972	(6,628)
State Mowing Contract	25,000	25,000	28,145	3,145
<b>Total Intergovernmental Revenue</b>	181,600	428,700	444,065	15,365
<b>Fines &amp; Forfeitures</b>				
City Court Fines	150,000	150,000	188,865	38,865
Session Court Fines	2,500	4,000	5,813	1,813
<b>Total Fines &amp; Forfeitures</b>	152,500	154,000	194,678	40,678
<b>Other Revenue</b>				
Cable TV Franchise Tax	11,000	11,000	12,793	1,793
Other Revenue	15,500	58,500	107,478	48,978
Interest	150	150	542	392
Building Permits and Interest	10,000	14,000	14,733	733
<b>Total Other Revenue</b>	36,650	83,650	135,546	51,896
<b>TOTAL REVENUES</b>	<b>\$ 747,000</b>	<b>\$ 1,052,600</b>	<b>\$ 1,225,900</b>	<b>\$ 173,300</b>
<b>EXPENDITURES</b>				
<b>General Government</b>				
Mayor/Council Wages	\$ 18,000	\$ 18,000	\$ 17,993	\$ 7
Recorder's Salary	15,000	15,000	16,191	(1,191)
Payroll Taxes	100,000	100,000	27,072	72,928
Election Expense	250	250		250
Office Supplies	2,000	2,000	2,546	(546)
Attorney Fees	2,500	2,500	2,975	(475)
Senior Citizens	3,000	3,000	4,784	(1,784)
Utilities	13,000	13,000	14,438	(1,438)
Audit Fees	7,000	7,000	6,500	500
Insurance and Bonds	36,200	41,700	73,131	(31,431)
Building Repairs and Maintenance	6,500	6,500	27,177	(20,677)
Publications and Dues	2,800	2,800	1,614	1,186
Health Insurance	23,000			

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

**CITY OF NEW MARKET, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE**  
**- BUDGET & ACTUAL-**  
**GENERAL FUND**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	
Other Expenses	\$ 5,000	\$ 5,000	\$ 11,611	\$ (6,611)
Paving		202,500	250,000	(47,500)
<b>Total General Government</b>	234,250	419,250	456,032	(36,782)
<b>Public Safety - Police</b>				
Salaries/Wages	203,100	203,100	162,936	40,164
Equipment Expense	25,000	80,000	98,448	(18,448)
Health Insurance	18,000	18,000	16,858	1,142
Lease Expense	17,600	17,600	17,417	183
Uniforms	3,500	7,500	4,595	2,905
Supplies	2,500	2,500	4,841	(2,341)
Telephone/Telecommunications	1,800	1,800	1,788	12
Vehicle Fuel	9,800	9,800	17,202	(7,402)
Other Expenses	6,000	6,000	7,506	(1,506)
<b>Total Public Safety - Police</b>	287,300	346,300	331,591	14,709
<b>Public Safety - Fire</b>				
Fire Hydrant Expense	1,000	1,000		1,000
Radio Grant Expense		6,600	5,176	1,424
<b>Total Public Safety - Fire</b>	1,000	7,600	5,176	2,424
<b>City Court</b>				
Judge's Salary	6,200	6,200	7,041	(841)
Court Clerk's Salary	27,680	27,680	27,394	286
Health Insurance	320	320	235	85
Mileage Reimbursement	500	500	419	81
Litigation Taxes	12,000	12,000	14,484	(2,484)
Other Expenses	400	400	707	(307)
Credit Card Fees	13,000	13,000	14,445	(1,445)
<b>Total City Court</b>	60,100	60,100	64,725	(4,625)
<b>Public Works</b>				
Maintenance Salaries	101,700	107,700	109,672	(1,972)
Equipment Expense	20,000	82,000	92,954	(10,954)
Vehicle Fuel	5,400	5,400	8,127	(2,727)
Health Insurance	5,000	8,500	15,136	(6,636)
Supplies	5,000	5,000	2,377	2,623
Other Expenses	2,500	4,000	4,406	(406)
<b>Total Public Works</b>	139,600	212,600	232,672	(20,072)
<b>Recreation</b>				
Utilities	1,750	1,750	1,552	198
Other Expenses	5,000	5,000	2,267	2,733
<b>Total Recreation</b>	6,750	6,750	3,819	2,931
<b>Contingency</b>	18,000			
<b>TOTAL EXPENDITURES</b>	<b>\$ 747,000</b>	<b>\$ 1,052,600</b>	<b>\$ 1,094,015</b>	<b>\$ (41,415)</b>

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

**CITY OF NEW MARKET, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE**  
**- BUDGET & ACTUAL -**  
**GENERAL FUND**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final		
<b>Excess (Deficiency) of Revenue Over (Under)</b>				
<b>Expenditures</b>	\$	\$	\$ 131,885	\$ 131,885
<b>FUND BALANCE - BEGINNING</b>	563,241	563,241	563,241	
<b>FUND BALANCE - ENDING</b>	<b>\$ 563,241</b>	<b>\$ 563,241</b>	<b>\$ 695,126</b>	<b>\$ 131,885</b>

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

**CITY OF NEW MARKET, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE**  
**-BUDGET & ACTUAL-**  
**STATE STREET AID FUND**  
**For the Year Ended June 30, 2022**

	<u>Budgeted Amounts</u>			<b>Variance with</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<b>Final Budget- Positive (Negative)</b>
<b>REVENUE</b>				
State Gas Tax	\$ 46,400	\$ 108,400	\$ 47,223	\$ (61,177)
Total Revenue	\$ 46,400	\$ 108,400	\$ 47,223	\$ (61,177)
<b>EXPENDITURES</b>				
State Street Aid				
Street Lighting	\$ 6,200	\$ 6,200	\$ 4,445	\$ 1,755
Telephone/Telecommunications	1,150	1,150	778	372
Vehicle Repair and Maintenance	10,000	10,000	9,382	618
Vehicle Fuel	6,000	6,000	7,953	(1,953)
Uniforms	2,000	2,000	2,556	(556)
Contract Work	1,000	3,000	3,707	(707)
Street Repair and Maintenance	20,050	80,050	71,039	9,011
Total State Street Aid	\$ 46,400	\$ 108,400	\$ 99,860	\$ 8,540
Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (52,637)	\$ (69,717)
<b>Other Financing Sources (Uses)</b>				
Operating Transfer from General Fund	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balance	-	-	(52,637)	(69,717)
Fund Balance, July 1, 2020	31,135	31,135	31,135	-
Fund Balance, June 30, 2021	\$ 31,135	\$ 31,135	\$ (21,502)	\$ (69,717)

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

**CITY OF NEW MARKET, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE**  
**-BUDGET & ACTUAL-**  
**DRUG FUND**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUE</b>				
Drug Fund	\$ 4,850	\$ 4,850	\$ 4,603	\$ (247)
Total Revenue	\$ 4,850	\$ 4,850	\$ 4,603	\$ (247)
<b>EXPENDITURES</b>				
<b>Drug Fund</b>				
Supplies	\$ 4,850	\$ 4,850	\$ 18	\$ (4,832)
Total Expenditures	4,850	4,850	18	(4,832)
Revenues Over (Under) Expenditures	\$	\$	\$ 4,585	\$ 4,585
<b>Other Financing Sources (Uses)</b>				
Operating Transfer from General Fund	\$	\$	\$	\$
Net Change in Fund Balance			4,585	4,585
Fund Balance, July I, 2021	12,625	12,625	12,625	
Fund Balance, June 30, 2022	\$ 12,625	\$ 12,625	\$ 17,210	\$ 4,585

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General Statement**

The City of New Market, Tennessee (the “City”) was incorporated on June 1, 1977 under the laws and provisions of the state of Tennessee. The City operates under a Mayor-Aldermanic form of government. The City provides the following services-Public Safety- Police and Fire, State Street Aid, Sanitation, Public Works, General and Administrative Services, Recreation, and City Court services.

The City’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 City has no component units at June 30, 2022 over which the City exercises significant influence.

**B. Basis of Presentation Government-wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and Statement of Activities) report information on the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. The statement of activities demonstrates to the degree to which 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. Taxes and other items are reported as general revenues. The City does not allocate indirect costs to a specific function or segment.

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental/enterprise fund are at least 10 percent of the corresponding total for all fund of that category type.

The funds of the City are described as follows:

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

**Major Governmental Funds**

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The State Street Aid Fund accounts for gasoline taxes that are used to fund the repairs and maintenance to the streets.

Special Revenue Funds – The Drug Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for costs of enforcement.

The City does not have any proprietary funds in which to report activity.

**C. Measurement Focus & Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus and defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balances as their measure of available spendable financial resources at the end of the period.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. As a result, revenues are recognized when earned and expenses are recorded when the liabilities are incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end.

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

Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**Cash & Cash Equivalents**

For the purpose of the Statement of Net Position, “cash & cash equivalents” includes all demand and savings accounts of the City. The City has two certificates of deposit.

**Interfund Receivables & Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between the funds. Those related to goods and services type are classified as “due to and due from other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

**Receivables**

In the government-wide financial statements, receivables consist of all revenues earned and not yet received. Allowance for uncollectible accounts is based upon historical trends and the periodic ageing of accounts receivable. Major receivable balances for the governmental activities include state shared taxes, intergovernmental revenues and fines.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as state shared taxes and intergovernmental revenues since they are both usually measurable and available. Nonexchange transactions collectible, but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government wide financial statements in accordance with the accrual basis.

**Capital Assets**

Capital assets are reported in the government activities column of the government-wide statement of net position. The assets are not reported in the fund financial statements. The City capitalizes assets with a cost of \$500 or more. The assets are recorded at cost except for donated assets which are valued at their estimated fair market value as of the date the asset is received. Major repairs that extend an asset’s life are also capitalized. Land is considered a nondepreciable asset along with land improvements. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	30 years
Machinery and Equipment	10 years
Vehicles	10 years

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

**Fund Financial Statements**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**Restricted Assets**

Restricted assets include cash in banks and receivables which are restricted because their use is limited by laws, grant agreements, or debt service requirements.

**Compensated Absences**

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as a long-term debt in the government-wide financial statements while the current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. The City provides sick leave that accrues at one-half day per month for full-time employees only. Two weeks of annual leave may be earned by employees depending on their years of service; however, this leave is forfeited if not taken by year end.

**Net Position and Fund Balance**

In the government-wide financial statements, equity is classified as net position 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 Net Position – 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 City's policy is generally to use restricted net position first, as appropriate opportunities arise.
- 3) Unrestricted Net Position – All other net positions that do not meet the definition of "restricted" or "net investment in capital assets."

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.

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

- 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.

**Net Position and Fund Balance Flow Assumptions**

When outlays for a particular purpose are funded from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. This City's policy is that when both restricted and unrestricted resources are available for expenditure, restricted resources should be spent first unless legal requirements disallow it. When outlays are incurred for purposes for which amounts in any unrestricted fund balance classification could be used, committed funds are to be spent first, assigned funds second, and unassigned funds last.

The City'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 City's policy to use unassigned resources first, then assigned and committed resources as needed. When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted fund balance first, then use unrestricted fund balance as stated above.

**E. Revenues, Expenditures, & Expenses**

**Taxes/Other Revenue**

Those revenues susceptible to accrual are state shared sales tax, beer taxes, gas taxes, and income taxes. Permits, fines, penalties and other revenues are not susceptible to accrual because they are not generally measurable until received in cash.

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for governmental activities. In the fund financial statements, expenditures are classified by function and further classified as to current, debt service and capital outlay.

**Interfund Transfers**

Short-term amounts owed between funds are classified as "Interfund Receivable/Interfund Payable". Interfund loans are classified as "Interfund notes receivable/payable" and are offset by a fund balance reserve account. Repayments from funds that initially paid for them are not presented in the financial statements. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers.

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

**F. Use of Estimates**

In preparing the City's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

**G. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position 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.

In addition to liabilities, the Statement of Net Position 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. The City has items that qualify for reporting in this category. The items qualifying in this area are current and delinquent property taxes.

**H. Property Tax**

Under state law, property taxes become a lien on January 1 of each year. Property taxes are levied annually and are due and payable from October 1<sup>st</sup> through February 28<sup>th</sup> of the following calendar year. The 2021 property taxes which are due and payable in the current fiscal year are recorded as revenue in the fund financial statements to the extent they are collected within 60 days of year-end with the remainder being recorded as a receivable and as deferred revenue. The 2021 property taxes, which become a lien on January 1, 2022 and are not levied until October 1, 2022, are recorded as a receivable and as deferred inflows of resources in the fund financial statements. Property taxes are recorded as revenue in the year the tax becomes a lien with the exception of the 2021 property taxes which are recorded as a receivable and as a deferred inflow of resources with the revenue being recognized in the following fiscal year which it is intended to finance.

**I. Leases-New Accounting Pronouncement**

The City adopted GASB Statement No. 87, *Leases*, effective immediately in fiscal year 2022. This Statement increases the usefulness of financial statements by requiring reporting of certain lease liabilities that currently are not reported, enhances comparability by requiring lessees and lessors to report leases under a single model, and enhances the usefulness of information by requiring notes to the financial statements regarding leasing arrangements. See Note 9 – Leases.

As a lessee, the City determines whether an arrangement is or contains a lease at lease inception. On the commencement date, leases are recorded as other financing sources and capital outlays in the Statement of Revenues, Expenditures, and Changes in Fund Balances, and ongoing lease

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

payments are recorded as expenditures in the applicable functions of the City. On the commencement date, leases are recorded as right to use (ROU) assets and lease liabilities in the Statement of Net Position. ROU assets represent the City's right to use leased assets over the term of the lease, and lease liabilities represent the City's contractual obligation to make lease payments over the lease term. The lease liability is measured as the present value of the lease payments over the lease term using either the rate implicit in the lease, if it is determinable, or the City's incremental borrowing rate if the implicit rate is not determinable. ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs and prepayment of rent, less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense, an outflow of resources, is recognized on a straight-line bases over the lease term. ROU assets are assessed for impairment in accordance with the City's capital asset policy. The City reassesses lease classification and remeasures ROU assets and lease liabilities when a lease is modified, and the modification is not accounted for as a separate new lease, or upon certain other events that require reassessment in accordance with GASB Statement No. 87.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, & ACCOUNTABILITY**

**A. Fund Accounting Requirements**

The City complies with regulations requiring the use of separate funds. The legally required funds used by the City include the following:

- General Fund
- Drug Fund
- State Street Aid

**B. Budgetary Information**

The City adopts annual budgets consistent with generally accepted accounting principles for all funds. The Board of Mayor and Aldermen approve any amendments to these funds and all annual appropriations for these funds lapse at year end.

**C. Deposits & Investment Laws & Regulations**

The City has no formal deposit and investment policies; however, the City is required to follow certain state statutes with respect to authorized investment and deposit procedures. See Note 3 with respect to these general requirements.

**NOTE 3 – CASH & CASH EQUIVALENTS**

The City of New Market has no formal policies with respect to deposits and investments; however, the City is required to follow procedures regarding deposits and authorized investments which are allowed by applicable state laws. For the City of New Market, TCA Code Section 6-56-106 prescribes the authorized investments for municipalities in the State of Tennessee. With respect to deposits, the State of Tennessee requires that all deposits in financial institutions be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The financial institution deposits must be covered by federal depository insurance or the Tennessee Collateral Bank Pool, by collateral held by the City's agent in the

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

City's name, or by the Federal Reserve Banks acting as third-party agents. As of June 30, 2022, the carrying amount of the City's deposits was \$724,902 and the respective bank balances totaled \$674,455. The difference between the two amounts represented deposits in transit, outstanding checks, or other reconcilable items. As of June 30, 2022, the total bank balances of \$674,455 were covered by either F.D.I.C. insurance or by collateral pledged as part of the financial institutions' participation in the Tennessee Collateral Bank Pool.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that in the event of bank failure, the City would not be able to recover deposits or collateral securities that are in the possession of an outside party. As previously noted, all deposits were either covered by F.D.I.C. Insurance, collateral pledged as part of the financial institutions' participation in the Tennessee Collateral Pool or with collateralized securities held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third-party agents.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

	<b>Beginning</b>			<b>Ending</b>
	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
<b><u>Governmental Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ 69,474	\$ -	\$ -	\$ 69,474
Total Capital Assets Not Being Depreciated	69,474	-	-	69,474
Capital Assets Being Depreciated:				
Buildings and Improvements	206,678	268,850	-	475,528
Machinery and Equipment	712,533	86,822	-	799,355
Vehicles	288,978	110,666	1,400	398,244
Total Capital Assets Being Depreciated	1,208,189	466,338	1,400	1,673,127
Less: Accumulated Depreciation for:				
Buildings and Improvements	(118,599)	(8,472)	-	(127,071)
Machinery and Equipment	(316,722)	(40,873)	-	(357,595)
Vehicles	(223,069)	(16,166)	(1,260)	(237,975)
Total Accumulated Depreciation	(658,390)	(65,511)	(1,260)	(722,641)
Total Capital Assets Being Depreciated (net)	549,799	400,827	140	950,486
<b>Governmental Activities Capital Assets (net)</b>	<b>\$ 619,273</b>	<b>\$ 400,827</b>	<b>\$ 140</b>	<b>\$ 1,019,960</b>

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

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

Governmental activities:

General government	\$	7,861	
Recreation		4,586	
Police		39,307	
Public Works		-	
Streets		13,757	
		13,757	
	\$	65,511	

**NOTE 5 – RISK ASSESSMENT**

The City purchases commercial insurance to cover risks of loss related to torts, theft of, damage to, and destruction of assets; natural disasters; errors and omissions; injuries to employees; and the employees' health plan. For the current year, there have been no significant reductions in insurance coverage. Liabilities or settlements in excess of insurance coverage are reported when it is probable that a loss has been incurred and the amount of loss can be reasonably estimated. With regards to risk management, there were no settlement amounts which exceeded insurance coverage for the current year or the three prior years.

**NOTE 6 – PAYROLL TAXES**

The City has a liability for payroll taxes that were not paid and date back to 2010. The current amount owed is estimated to be \$79,496. The IRS has agreed that the City can pay \$1,000 per month until all taxes, penalties and interest have been paid. The City has been remitting \$5,000 monthly to pay down the debt. The agreement began in August 2014 and the City made required payments during the fiscal year.

	Beginning Balance	Penalty/Interest Additions	Reductions	Ending Balance
Governmental Funds				
Payroll liability	\$ 152,102	\$ -	\$ 72,606	\$ 79,496
Governmental funds				
Long-term liability	\$ 152,102	\$ -	\$ 72,606	\$ 79,496

**NOTE 7 – RECEIVABLES**

Receivables as of year-end for the City, including the applicable allowances for uncollectible accounts, are shown below:

	<u>Receivables</u>
Property tax	\$ 213,446
Due from Other Governmental Units	92,016
Total Receivables	\$ 305,462

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

**NOTE 8 – DEFERRED INFLOWS & OUTFLOWS OF RESOURCES – NON-PENSION RELATED**

As of June 30, 2022, the following amounts have been recognized as deferred inflows of resources for non-pension related items:

	<b>Statement of Net Position</b>
Deferred Inflows of Resources:	
Deferred Current Property Taxes	\$ 200,855
	\$ 200,855

**NOTE 9 – LEASES**

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The adoption of this statement had no significant impact on net position at July 1, 2021.

Future minimum operating lease payments through the duration of the current lease are \$32,390 for the term ending June 30, 2022:

Year ending June 30:	
2023	15,801
2024	16,589
	32,390
Less: Current	(15,801)
Long-term lease payable	\$ 16,589

Total lease expense for the year ended June 30, 2022 for the general fund, as reported in the Statement of Activities under Public Safety-Police/Fire, was \$17,417.

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

The amount of lease assets by major classes of underlying assets for the year ended June 30, 2022 for governmental activities, as reported in the Statement of Net Position under Vehicles, are as follows:

<u>Asset Class</u>	<u>Lease Asset Value</u>	<u>Accumulated Amortization</u>
Police Cars	<u>\$ 75,427</u>	<u>\$ 26,399</u>
Total Lease	<u>\$ 75,427</u>	<u>\$ 26,399</u>

**NOTE 10 - INTERFUND BALANCES**

The General Fund has a receivable from the State Street Aid Fund in the amount of \$99,602 for overpayment of state shared revenues. The General Fund also owes the drug fund \$3,598 for revenues collected but not yet remitted.

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

Litigation

There are no pending lawsuits in which the City is involved.

Grants

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

**NOTE 12 – SUBSEQUENT EVENTS**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through May 11, 2023, the date the financial statements were available to be issued.

**CITY OF NEW MARKET, TENNESSEE**  
**SCHEDULE OF PROPERTY TAXES RECEIVABLE**  
**For the Year Ended June 30, 2022**

<b>Tax Year</b>	<b>Beginning Balance</b>	<b>Property Tax Levied</b>	<b>Anticipated Current Year Levy</b>	<b>Adjustments/ Collections</b>	<b>Ending Balance</b>
2022	\$	\$	\$ 200,855	\$	\$ 200,855
2021	2,322	191,586		(187,407)	6,501
2020	1,910	198,155		(197,575)	2,490
2019	1,493	215,489		(215,072)	1,910
2018		215,566		(213,876)	1,690
	<b>\$ 5,725</b>	<b>\$ 820,796</b>	<b>\$ 200,855</b>	<b>\$ (813,930)</b>	<b>\$ 213,446</b>

Note: These taxes upon delinquency are turned over to the County one year after becoming delinquent.

**CITY OF NEW MARKET, TENNESSEE**  
**SCHEDULE OF TAX RATES & ASSESSMENTS**  
**For the Year Ended June 30, 2022**

<u>Calendar Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate Per \$100</u>
2022	33,471,893	0.667
2021	33,082,652	0.667
2020	29,550,299	0.667
2019	27,692,685	0.667
2018	31,139,748	0.667

CITY OF NEW MARKET, TENNESSEE  
SCHEDULE OF CHANGES IN LEASE OBLIGATIONS  
June 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 6/30/2021	Issued During Period	Paid and/or Matured During Period	Remeasure ments	Outstanding 6/30/2022
GOVERNMENTAL ACTIVITIES									
<u>Lease Payable</u>									
<u>Payable through Police Department</u>									
2018 Dodge Charger (2)	\$ 75,427	N/A	3/11/2019	3/1/2024	\$ 47,439	-	15,049	-	\$ 32,390
					<u>\$ 47,439</u>	<u>\$ -</u>	<u>\$ 15,049</u>	<u>\$ -</u>	<u>\$ 32,390</u>

**CITY OF NEW MARKET, TENNESSEE**  
**SCHEDULE OF GENERAL LONG-TERM DEBT PRINCIPAL AND INTEREST**  
**REQUIREMENTS BY FISCAL YEAR**  
**June 30, 2022**

Year Ending	None Outstanding		Total	
30-Jun	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>

None

The City had no general long-term debt outstanding at June 30, 2022.

CITY OF NEW MARKET, TENNESSEE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
 For the Year Ended June 30, 2022

Grantor	Federal Assistance Listings Number	Expenditures
<b>Federal Awards</b>		
US Department of Treasury		
Passed-through State Department of Finance and Administration:		
-American Rescue Plan Act	21.027	\$ 203,991
<b>Total Federal Awards</b>		<b>\$ 203,991</b>
<b>State Financial Assistance</b>		
State of Tennessee Department of Transportation		
-Radio Grant	N/A	\$ 5,176
<b>Total State Awards</b>		<b>\$ 5,176</b>

The accompanying Schedule of State Financial Assistance summarizes the expenditures of the City of New Market, Tennessee under programs of the state governments for the year ended June 30, 2022. The schedule is presented using the modified accrual basis of accounting.

**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**

The Honorable Mayor and Aldermen  
City of New Market  
New Market, Tennessee

I 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 each major fund of the City of New Market, 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 Market, Tennessee's basic financial statements and have issued my report thereon dated May 11, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the City of New Market, 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 City of New Market, Tennessee's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of New Market, 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of New Market, 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 2022-001, 2022-002, 2022-003, and 2022-004.

## **City of New Market, Tennessee's Response to Findings**

Government Audit Standards require the auditor to perform limited procedures on the City of New Market, Tennessee's response to the findings identified in my audit and described in the accompanying schedule of findings and recommendations. The City of New Market, 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 the response.

## **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, Tennessee  
May 11, 2023

**CITY OF NEW MARKET, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**June 30, 2022**

**Financial Statement Findings**

**2022-001 Three Day Deposit Rule**

*Condition:* Funds are received and held until a large deposit is accumulated before remitting to the bank.

*Criteria:* Tennessee Code Annotated Section 6-56-111 states:

"Every municipal official handling public funds shall be required to, as soon as practical, but no later than three (3) working days after the receipt by such municipal official of any public funds, deposit the funds to the credit of such municipality's official bank account, or bank accounts."

*Cause:* Lack of staffing makes frequent trips to the bank impractical.

*Effect:* Timely deposit of funds received helps safeguard assets and ensures controls are in place.

*Recommendations:* Management should create procedures to ensure funds are deposited within three days of receipt.

*Response:* Management agrees with the finding however they offer the following explanation. Many times, the city has small amounts of money on hand and they choose to not make a deposit until additional money is received. This will possibly continue to be a finding depending on the amounts of money received on a particular day.

**2022-002 Preparation of Financial Statements and Related Note Disclosures**

*Condition:* As part of the audit, the auditors prepared the financial statements, related notes, and supplementary information from information provided by the City's personnel.

*Criteria:* Under current professional standards, the City is responsible for the internal control process which includes the preparation of fiscal year-end financial statements in accordance with accounting principles generally accepted in the United States of America. The financial statement preparation process should be performed in a manner such that there is only a remote likelihood that a misstatement of the City's financial statements, that is more than inconsequential, will not be prevented or detected.

*Cause:* Lack of personnel due to the size of the City make it difficult to perform all duties.

*Effect:* Personnel of the City are not currently preparing GAAP financial statements for audit or for review by their Mayor and aldermen, which prevents them from getting complete and accurate financial information on a timely basis.

**CITY OF NEW MARKET, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**June 30, 2022**

*Recommendation:* Monthly and annual financial statements should be reviewed by the mayor and aldermen, so they are fully informed about the finances of the City.

*Response:* Management agrees with the finding however they offer the following explanation. Due to the size of the city, it is not feasible to have trained staff prepare financial statements and note disclosures. This will probably continue to be a finding.

**2022-003 Controls over Providing the City's Records**

*Condition:* The City's year-end trial balance was not presented to the auditor until eleven months after the June 30, 2022 year end.

*Criteria:* Tennessee Code Annotated, Section 9-2-102, requires all governmental entities to close their official accounting records and make those records available for audit no later than two months after year-end.

*Cause:* Lack of controls to ensure timely bookkeeping and close of year-end books.

*Effect:* The delay in completing the year-end trial balance resulted in the City not complying with state law and impeded completion of the audit field work and subsequent issuance of the audit report.

*Recommendation:* The City should establish controls that ensure the books are closed in a timely manner at year-end in accordance with state guidelines.

*Response:* Management has made it a priority to get provide books and records on a timely basis.

**2022-004 Expenditures in Excess of Budget**

*Condition:* Appropriations are made at the function level and no appropriation may be exceeded without an amendment of the budget ordinance. For the year ended June 30, 2022, expenditures exceeded appropriations in the General Fund as follows:

Function	Expenditure	Appropriation	Over Budget
General Fund	\$ 1,094,015	\$ 1,052,600	\$ 41,415

*Cause:* The Board did not make budget amendments to authorize expenditures over original budgeted amounts.

*Criteria:* Tennessee Code Annotated (TCA), Section 6-56-203 states "The governing body of each municipality shall adopt and operate under an annual budget ordinance. It is the intent of this subdivision (1) that, except for moneys expended pursuant to a project ordinance or accounted for in a proprietary type fund or a fiduciary type fund

**CITY OF NEW MARKET, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**June 30, 2022**

that are excluded from the budget ordinance, all moneys received and expended by a municipality shall be included in a budget ordinance. Therefore, notwithstanding any other 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 ordinance."

*Effect:* Expenditures were made that were not budgeted in accordance with State law.

*Recommendation:* The City should compare its expenditures to budgeted amounts on a regular basis and amend the budget when necessary to authorize all expenditures in accordance with State budget requirements prior to June 30.

*Response:* The City will carefully monitor the budget in future years.

**CITY OF NEW MARKET, TENNESSEE**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
**For the Fiscal Year Ended June 30, 2022**

**Financial Statement Findings**

<b>Prior Year Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
2021-001	Three Day Deposit Rule (original finding 2014-001)	Repeated/ 2022-001
2021-002	Preparation of Financial Statements and Related Note Disclosures (original finding 2014-005)	Repeated/ 2022-002
2021-003	Lack of Separation of Duties (original finding 2014-009)	Corrected
2021-004	Controls over Providing the City's Records (original finding 2018-004)	Repeated/ 2022- 004
2021-005	Audit Adjustments were Required for Proper Financial Statement Presentation (original finding 2014-005)	Corrected



DANNY WHILLOCK  
MAYOR

GLORIA LARRANCE  
CITY RECORDER

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**ALDERMEN**  
FRANK SOLOMON  
MAURICE SOLOMON  
DAVID STAPLETON  
LORI TUCKER

### **Management's Corrective Action Plan**

The City of New Market, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2022.

Name and address of independent public accounting firm:

David M. Ellis, CPA  
132 W Depot St.  
Greeneville, TN 37743

Audit period:

June 30, 2022

The findings from the June 30, 2022 schedule of findings and recommendations are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

#### Corrective Action:

#### **Finding 2022-001:**

#### **Three Day Deposit Rule**

Name of contact person: Gloria Larrance, Recorder

Corrective action: Many times the city has small amounts of money on hand and they choose to not make a deposit until additional money is received. This will possibly continue to be a finding depending on the amounts of money received on a particular day.

Anticipated Completion Date: Unknown

#### **Finding 2022-002:**

#### **Preparation of Financial Statements and Related Note Disclosures**

Name of contact person: Gloria Larrance, Recorder

Corrective action: Due to the size of the District, it is not economically feasible to hire additional staff at this time.

Anticipated Completion Date: Unknown

**Finding 2022-003:**

**Controls Over Providing the City's Records**

Name of contact person: Gloria Larrance, Recorder

Corrective action: Management agrees and will make an effort to close the City's books in a timely manner at year-end.

Anticipated Completion Date: 06/30/2023

**Finding 2022-004:**

**Expenditures in Excess of Budget**

Name of contact person: Gloria Larrance, Recorder

Corrective action: Expenditures will be monitored to ensure compliance with the budgeted amounts.

Anticipated Completion Date: 06/30/2023



Signature:

Title: Mayor