

AUDIT REPORT

CITY OF BANE BERRY, TENNESSEE

Year Ended June 30, 2023

Donna Hernandez

Mayor

Tom Carter

Commissioner/Vice Mayor

Mark Howard

Commissioner

Michael Phagan

City Manager

CITY OF BANE BERRY, TENNESSEE

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AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

TENNESSEE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Honorable Mayor and City Commission  
City of Baneberry, Tennessee  
Baneberry, Tennessee

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

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Baneberry, Tennessee as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Baneberry, 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 each major fund of the City of Baneberry, Tennessee, as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison of the General Fund and the State Street Aid 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Baneberry, 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 these 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 misstatements, 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 Baneberry, Tennessee's ability to continue as a going concern within twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether 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 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 judgement 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 judgement 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 Baneberry, 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Baneberry, 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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. 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 financial statements, and other knowledge we obtained during our audit of the 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 an opinion on the financial statements that collectively comprise the City of Baneberry, Tennessee's financial statements. The accompanying information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedules of property taxes receivable, tax rates and assessments, federal and state awards, changes in long-term debt by individual issue and long-term principal and interest requirements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Information**

Management is responsible for the other information included in the financial statements. The other information compromises the roster of city officials but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we 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 May 20, 2024 on our consideration of the City of Baneberry, Tennessee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 City of Baneberry, 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 the City of Baneberry, Tennessee's internal control over financial reporting and compliance.



Duane Cline, CPA, LLC

May 20, 2024

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**Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

The management of City of Baneberry, Tennessee (the City) presents this management's discussion and analysis (MD&A) of the City's financial condition and results of operations for the fiscal year ended June 30, 2023. This information should be read in conjunction with the accompanying financial statements. This MD&A also presents an overview of the City known as the primary government. The government-wide financial statements include only the primary government which is the total reporting entity.

**Financial Highlights**

The following are key financial highlights:

- The assets of the City were more than its liabilities and deferred inflows of resources at year-end 2023 by \$2,138,389 and 2022 by \$1,944,815.
- The City's net position increased by \$193,574 (10 percent) during 2023 and increased by \$158,350 (9 percent) during 2022.
- At 2023 year-end, the City's governmental funds reported combined ending fund balances of \$1,296,435 an increase of \$140,849. At 2022 year-end, the City's governmental funds reported combined ending fund balances of \$1,155,586. As of June 30, 2023, \$1,239,663 (\$1,098,511 for 2022) was unreserved and available for ongoing operations. This demonstrates the City's fiscal discipline and will help meet unexpected emergencies and other uncertainties the City may face during the course of everyday operations.
- General Fund revenues have increased in 2023 by \$85,822 or 18% over 2022. The primary increases were due to grant and tax increases.
- The City received an appropriation from Jefferson County in the amount of \$65,000 for the fire department.
- The total cost of all of the City's programs for the year ended June 30, 2023 was \$352,863 which is an decrease of \$152,145 or 43% mainly due to street paving and improvements made during the previous year.

**Overview of the Financial Statements**

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

Government-Wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the Town’s finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all 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, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of these financial statements report functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities).

The governmental activities of the City include the following:

- General government
- Public Safety
- Public Works
- Health and Welfare

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 Baneberry, 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 fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements. Because the focus of the 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 revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains three governmental fund(s). Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balances for the General Fund. To demonstrate compliance with the budget, budgetary comparison statements have been provided and are presented on pages 14 to 17.

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

Internal Control and Compliance Section – This includes the auditors’ reports on the City’s internal controls and compliance and a schedule of findings and responses.

## Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded its liabilities by \$2,138,389 for 2023 and \$1,944,815 for 2022. By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services; consequently, these assets are *not* available for future spending. Although the 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 long-term debt.

At year-end 2023 and 2022, the City's statement of net position consisted of the following:

	<u>2023</u>	<u>2022</u>
Current Assets	\$1,560,722	\$1,444,725
Capital Assets, net of accumulated depreciation	<u>1,022,554</u>	<u>992,383</u>
<b>Total Assets</b>	<b><u>\$2,583,276</u></b>	<b><u>\$2,437,108</u></b>
Current Liabilities	\$ 39,084	\$ 61,662
Long-Term Liabilities	147,000	180,600
Deferred Inflow of Resources	258,803	250,031
Net Position:		
Net investment in capital assets	841,954	992,383
Restricted	56,772	57,075
Unrestricted	<u>1,239,663</u>	<u>895,357</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$2,583,276</u></b>	<b><u>\$2,437,108</u></b>

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position may be used to meet the obligations to employees and creditors and to help fund next year's budget.

The following is a summary of financial activities for the City during each fiscal year:

	<u>2023</u>	<u>2022</u>
<b>REVENUE</b>		
Program revenue:		
Fees, fines and charges for services	\$ 23,106	\$ 10,708
Grants and contributions	163,350	118,434
General revenue:		
Taxes	295,895	290,877
Interest	<u>3,900</u>	<u>630</u>
<b>Total Revenue</b>	<b><u>486,251</u></b>	<b><u>420,649</u></b>
<b>EXPENSES</b>		
General Government	123,892	101,272
Public Safety	64,669	56,972
Highways & Streets	52,458	58,675
Welfare & Recreation	46,143	38,531
Interest	<u>5,515</u>	<u>6,849</u>
<b>Total Expenses</b>	<b><u>292,677</u></b>	<b><u>262,299</u></b>

	<u>2023</u>	<u>2022</u>
Change in net position	\$ 193,574	\$ 158,350
Net position beginning of the year	<u>1,944,815</u>	<u>1,786,465</u>
<b>Net position at the end of the year</b>	<b><u>\$2,136,389</u></b>	<b><u>\$1,944,815</u></b>

The City's net position increased by \$193,574, or 10% for June 30, 2023. Unrestricted net position increased \$344,306 for June 30, 2023 this is the portion of net position that can be used to finance day-to-day operations.

Cash and cash equivalents increased \$114,737 from June 30, 2022.

The property taxes receivable for 2023 totaled \$181,696, an increase of \$741 over the prior year. The property tax rates for tax years 2023 and 2022 were \$0.8242 per \$100 of assessed value, respectively.

### Capital Assets

The City's investment in capital assets as of June 30, 2023 was \$1,022,554, \$992,383 in 2022 net of accumulated depreciation.

	<u>2023</u>	<u>2022</u>
<b>Capital Assets-net</b>		
Land	\$ 126,897	\$ 126,897
Equipment	358,765	350,261
Structures and improvements	441,278	441,278
Vehicles	400,313	400,314
Infrastructure - roads	<u>621,143</u>	<u>534,920</u>
Total Capital Assets	1,948,396	1,853,670
Accumulated depreciation	<u>925,842</u>	<u>861,286</u>
<b>Total capital assets, net of accumulated depreciation</b>	<b><u>\$1,022,554</u></b>	<b><u>\$ 992,384</u></b>

The following is a summary of governmental activities depreciation expense by function:

General Government	\$ 9,928
Public Safety	27,375
Highways and streets	26,247
Welfare and recreation	<u>1,006</u>
Total Depreciation Expense	<b><u>\$61,556</u></b>

Additional information on the City's capital assets can be found in note 8 of this report.

## Debt Administration

At June 30, 2023, the governmental fund had outstanding debt of \$180,600, \$213,300 in 2022 consisting of the following capital outlay notes to fund construction of the city hall and fire hall buildings and street improvement:

	<u>2023</u>	<u>2022</u>
Capital outlay notes	\$180,600	\$213,300
Less: current portion due	<u>33,600</u>	<u>32,700</u>
Total long-term debt-principal	<u>\$147,000</u>	<u>\$180,600</u>

During 2023 the City retired \$32,700 (\$67,800 in 2022) on its governmental fund debt. Additional information on debt can be found in Note 9 to the financial statements.

## Financial Analysis of the City's Funds

As previously discussed, 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 near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund's fund balance increased by \$140,794 during 2023 and increased by \$113,670 during 2022. The increases are due to revenue increases.

## General Fund Budgetary Highlights

There was an increase of approximately \$30,260 between the original budget and the final amended budget expenses for the General Fund. This increase was largely due to anticipated expense additions.

## Economic Factors and Next Year's Budgets and Rates

The City Council has approved the budget for the year ended June 30, 2024. The estimated revenue and appropriations did not vary significantly from the budget for the year ended June 30, 2023.

## Requests for Information

This MD&A and accompanying financial statements and notes are designed to provide our citizens, employees, creditors and regulatory agencies with an overview of the City's finances. If you have any questions or need additional information, you may contact:

Michael Phagan, City Manager  
City of Baneberry, Tennessee  
521 Harrison Ferry Road  
Baneberry, TN 37890  
Telephone (865) 674-0124

CITY OF BANE BERRY, TENNESSEE

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES

June 30, 2023

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,352,680	
Accounts Receivable	21,489	
Property Taxes Receivable less bad debt allowance	181,696	
Prepaids	<u>4,857</u>	
Total Current Assets		\$ 1,560,722

Non-Current Assets

Capital Assets, net	895,658	
Non-depreciable capital assets	<u>126,896</u>	
Total Non-Current Assets		<u>1,022,554</u>

TOTAL ASSETS

\$ 2,583,276

LIABILITIES

Current Liabilities

Accounts Payable	\$ 5,484	
Notes Payable - Due within one year	<u>33,600</u>	
Total Current Liabilities		\$ 39,084

Long-Term Liabilities

Notes - Due in more than one year		<u>147,000</u>
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TOTAL LIABILITIES

186,084

Deferred Inflows of Resources

Unearned Revenue - Property Taxes	179,581	
Deferred Grant Revenue	<u>79,222</u>	

TOTAL DEFERRED INFLOWS OF RESOURCES

258,803

Net Position

Net Investment in capital assets	841,954	
Restricted for:		
Insurance	4,857	
State Street Aid	51,915	
Unrestricted	<u>1,239,663</u>	

Total Net Position

2,138,389

TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION

\$ 2,583,276

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

CITY OF BANBERRY, TENNESSEE

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES

For the fiscal year ended June 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
Governmental Activities:					
General Government	\$ 123,892	\$ 22,336	\$ -	\$ -	\$ (101,556)
Public Safety	64,669	200	65,000	-	531
Highways & Streets	52,458	-	19,127	79,223	45,892
Welfare & Recreation	46,143	570	-	-	(45,573)
Interest on Long-Term Debt	5,515	-	-	-	(5,515)
<b>Total</b>	<b><u>\$ 292,677</u></b>	<b><u>\$ 23,106</u></b>	<b><u>\$ 84,127</u></b>	<b><u>\$ 79,223</u></b>	<b>(106,221)</b>

General Revenues:

Taxes:

Property taxes, penalties and interest	168,940
Sales Tax	109,615
Wholesale beer tax	235
In-Lieu Payments	6,288
Cable TV Franchise Tax	9,005
Other State Taxes	1,812
Interest Earned	<u>3,900</u>

Total General Revenues 299,795

Change in Net Position 193,574

Net Position - beginning 1,944,815

Net Position - ending \$ 2,138,389

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

CITY OF BANEERRY, TENNESSEE

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash	\$ 1,303,871	\$ 48,809	\$ 1,352,680
Accounts Receivable	18,383	3,106	21,489
Taxes Receivable Net of Bad Debt Allowance	181,696	-	181,696
Prepays	<u>4,857</u>	<u>-</u>	<u>4,857</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,508,807</u>	<u>\$ 51,915</u>	<u>\$ 1,560,722</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
<u>Liabilities</u>			
Accounts Payable/Other Payables	\$ 5,484	\$ -	\$ 5,484
<u>Deferred Inflows of Resources</u>			
Unearned Revenue Property Taxes	179,581	-	179,581
Deferred Grant Revenue	<u>79,222</u>	<u>-</u>	<u>79,222</u>
<u>Total Deferred Inflows of Resources</u>	<u>258,803</u>	<u>-</u>	<u>258,803</u>
<u>Fund Balance</u>			
Nonspendable			
Insurance	4,857		4,857
Restricted for:			
State Street Aid		51,915	51,915
Unassigned	<u>1,239,663</u>	<u>-</u>	<u>1,239,663</u>
<u>Total Fund Balance</u>	<u>1,244,520</u>	<u>51,915</u>	<u>1,296,435</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 1,508,807</u>	<u>\$ 51,915</u>	<u>\$ 1,560,722</u>

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

Fund Balance - All Governmental Funds \$ 1,296,435

Capital Assets of \$1,948,396 net of accumulated depreciation of \$(925,842), are not financial resources and, therefore, are not reported in the funds. 1,022,554

Long-Term Liabilities of \$180,600 are not due and payable in the current period and are not reported in the funds. (180,600)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,138,389

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

CITY OF BANE BERRY, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS

June 30, 2023

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>			
Taxes	\$ 240,220	\$ -	\$ 240,220
Intergovernmental Revenue	209,180	18,205	227,385
Miscellaneous Revenues	22,206	-	22,206
Interest	3,749	151	3,900
<u>Total Revenue</u>	<u>475,355</u>	<u>18,356</u>	<u>493,711</u>
<b><u>EXPENDITURES</u></b>			
General Government	112,736		112,736
Public Safety	84,013		84,013
Highways and Streets	92,047	18,302	110,349
Welfare and Recreation	45,765		45,765
<u>Total Expenditures</u>	<u>334,561</u>	<u>18,302</u>	<u>352,863</u>
<b><u>EXCESS REVENUES (EXPENDITURES)</u></b>	140,794	54	140,848
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers In (Out)	-	-	-
<b><u>NET CHANGE IN FUND BALANCE</u></b>	140,794	54	140,848
<b><u>FUND BALANCE - BEGINNING</u></b>	<u>1,103,725</u>	<u>51,861</u>	<u>1,155,586</u>
<b><u>FUND BALANCE - ENDING</u></b>	<u>\$ 1,244,519</u>	<u>\$ 51,915</u>	<u>\$ 1,296,434</u>

Net change in fund balance - total governmental funds \$ 140,848

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount of capital outlays less depreciation in the current period. 30,171

Revenues in the statement of activities are presented on the accrual basis of accounting, when they are measurable and earned, in governmental funds, revenues are recognized when they are earned measurable and available and are not reported as revenues in governmental funds. (10,145)

Repayment of note principal is an expenditure and new borrowings are revenues in governmental funds, but increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net assets. 32,700

Change in net position of governmental activities \$ 193,574

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

CITY OF BANE BERRY, TENNESSEE

GENERAL FUND

BUDGET TO ACTUAL COMPARISON STATEMENT

For the fiscal year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<u>TAXES</u>				
Local Sales Tax	\$ 35,000	\$ 45,000	\$ 47,392	\$ 2,392
Cable Franchise Tax	8,500	8,500	9,005	505
Wholesale Beer Tax	150	235	235	-
Property Taxes	167,000	170,146	176,400	6,254
Licenses and Permits	5,000	8,225	900	(7,325)
Payments in Lieu of Taxes	5,400	4,716	6,288	1,572
<u>Total Taxes</u>	<u>221,050</u>	<u>236,822</u>	<u>240,220</u>	<u>3,398</u>
<u>INTERGOVERNMENTAL REVENUE</u>				
State Sales Tax	58,000	58,000	62,223	4,223
State Beer Tax	245	238	239	1
State City Street and Trans. Funds	957	957	922	(35)
State Mixed Drink Tax	400	-	-	-
State Sports Betting	785	785	932	147
Other State Revenue	100	251	641	390
ARPA Revenue	79,222	79,222	79,223	1
Jefferson Co Fire Dep Appropriation	65,000	65,000	65,000	-
<u>Total Intergovernmental Revenue</u>	<u>204,709</u>	<u>204,453</u>	<u>209,180</u>	<u>4,727</u>
<u>OTHER REVENUE</u>				
Interest Earned	400	2,800	3,749	949
Community Center Rent	750	1,350	1,650	300
Jefferson Health Foundation Grant	7,500	-	-	-
Other Revenue	2,350	11,761	20,556	8,795
<u>Total Other Revenue</u>	<u>11,000</u>	<u>15,911</u>	<u>25,955</u>	<u>10,044</u>
<u>TOTAL REVENUES</u>	<u>436,759</u>	<u>457,186</u>	<u>475,355</u>	<u>18,169</u>

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

CITY OF BANE BERRY, TENNESSEE

GENERAL FUND

BUDGET TO ACTUAL COMPARISON STATEMENT

For the fiscal year ended June 30, 2023

<u>EXPENDITURES</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>GENERAL GOVERNMENT</u>				
Wages City Manager & Assistant	\$ 46,800	\$ 58,800	\$ 53,024	\$ 5,776
Building Inspector Fees	5,000	6,500	5,750	750
Payroll Taxes	3,605	3,605	5,037	(1,432)
Training	1,000	1,531	1,531	-
Elections	500	129	129	-
Postage and Box Rental	250	250	246	4
Insurance and Bonds	12,025	10,601	10,602	(1)
Public Information	750	750	830	(80)
Dues, Membership, Subscriptions	3,330	3,830	4,132	(302)
Electricity	3,500	4,200	5,032	(832)
Water & Gas	2,850	3,150	2,877	273
Telephone & Internet	2,000	2,000	1,898	102
Audit Fee	5,000	4,903	4,903	-
Attorney Fees	2,000	2,750	2,100	650
Data Processing Service	1,500	500	262	238
Office & Operating Supplies	600	1,300	1,448	(148)
Travel	250	-	-	-
Website	1,300	1,520	1,457	63
Donations	750	1,000	1,000	-
Building Repairs & Maintenance	6,500	9,250	4,325	4,925
Mixed Drink Tax Repayment	16,221	10,681	5,531	5,150
Equipment	3,500	1,004	622	382
	<u>119,231</u>	<u>128,254</u>	<u>112,736</u>	<u>15,518</u>
<u>Total General Government</u>				
<u>PUBLIC SAFETY</u>				
<u>Fire Department</u>				
Fire Protection Agreement	20,000	20,000	20,000	-
Vehicle & Equip Maintenance	4,200	4,200	908	3,292
Vehicle Fuel & Lubricants	1,750	3,800	3,332	468
Inspections & Safety	2,000	2,009	3,219	(1,210)
Insurance and Bonding	5,686	3,828	4,439	(611)
Debt Service	38,214	38,215	38,215	-
Equipment	9,100	13,500	13,900	(400)
	<u>80,950</u>	<u>85,552</u>	<u>84,013</u>	<u>1,539</u>
<u>Total Public Safety</u>				
<u>HIGHWAYS AND STREETS</u>				
Repairs and Maintenance	560,944	568,844	92,047	476,797

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

CITY OF BANE BERRY, TENNESSEE

GENERAL FUND

BUDGET TO ACTUAL COMPARISON STATEMENT

For the fiscal year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
<u>WELFARE AND RECREATION</u>				
Parks & Recreation Facilities	4,000	4,000	3,575	425
Volunteer Dinner	1,200	1,230	1,230	-
Dog Park	9,000	13,305	6,759	6,546
<u>Total Welfare and Recreation</u>	<u>14,200</u>	<u>18,535</u>	<u>11,564</u>	<u>6,971</u>
<u>SANITATION</u>				
Sanitation Expenses	<u>30,000</u>	<u>34,400</u>	<u>34,201</u>	<u>199</u>
TOTAL EXPENDITURES	805,325	835,585	334,561	501,024
<u>OTHER FINANCING (SOURCES) USES</u>				
Transfers (In) Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES AND USES	<u>805,325</u>	<u>835,585</u>	<u>334,561</u>	<u>501,024</u>
TOTAL REVENUES OVER EXPENDITURES AND USES	(368,566)	(378,399)	140,794	(482,855)
FUND BALANCE, BEGINNING	<u>1,103,725</u>	<u>1,103,725</u>	<u>1,103,725</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 735,159</u>	<u>\$ 725,326</u>	<u>\$ 1,244,519</u>	<u>\$ (482,855)</u>

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

CITY OF BANE BERRY, TENNESSEE

STATE STREET AID FUND

BUDGET TO ACTUAL COMPARISON STATEMENT

For the fiscal year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
State Gasoline & Motor Fuel Tax	\$ 18,828	\$ 19,308	\$ 18,205	\$ (1,103)
Interest Income	40	40	151	111
<u>Total Revenues</u>	18,868	19,348	18,356	(992)
<u>EXPENDITURES</u>				
<u>State Street Aid</u>				
Street Improvement	13,368	9,507	6,705	2,802
Grds Maint/Snow Removal	5,500	5,000	4,423	577
Street Lighting	-	-	7,174	(7,174)
<u>Total Expenditures</u>	18,868	14,507	18,302	(3,795)
<u>OTHER FINANCING (SOURCES) USES</u>				
Transfers (In) Out	-	-	-	-
<u>Total Expenditures and (Sources)</u>	18,868	14,507	18,302	(3,795)
<u>EXCESS (DEFICIENCY) OF REVENUES/ SOURCES OVER EXPENDITURES</u>				
	-	4,841	54	(4,787)
FUND BALANCE, BEGINNING	51,861	51,861	51,861	-
FUND BALANCE, ENDING	<u>\$ 51,861</u>	<u>\$ 56,702</u>	<u>\$ 51,915</u>	<u>\$ (4,787)</u>

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

CITY OF BANEERRY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Baneberry is a charter town in which citizens elect the three council members at large, one of whom is then appointed by the three as mayor. It operates under a city council manager form of government and provides the following services as provided by its charter: Public Safety - Fire, Highway and Streets, Sanitation, Recreation, Public Improvements, Planning and Zoning and General Administrative Services. The city commission appoints the city manager/recorder who is the chief administrative officer of the city.

A. Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The basic - but not the only - criterion for including a potential component unit within the reporting entity is if the governing body appoints a voting majority of a component unit's governing body (accountability), and if it either has the ability to impose its will on the component unit or the financial benefit or burden consideration exists. Based upon the criteria, the City has no potential component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and general revenues

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; (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.

C. Fund Financial Statements

Fund financial statements are provided for governmental funds.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with Generally Accepted Accounting Principles (GAAP).

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

CITY OF BANEERRY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenues sources susceptible to accrual include: sales and use taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Revenues from sources consist primarily of taxes and intergovernmental revenues. Miscellaneous revenues and fines are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Likewise, when committed, assigned and unassigned funds are available for expenditure, committed funds are spent first, assigned funds next, and unassigned funds last.

E. Fund Types and Major Funds

*Governmental Funds*

General Fund -

The General Fund is the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Special Revenue Fund -

Special revenue funds are used to account for revenues that are legally restricted to expenditures for specific purposes. The City's special revenue fund consists of the State Street Aid Fund.

NOTE 2 - ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

A. Cash and Investments

The City maintains and controls cash and investment accounts for each fund. The cash and investments are separately held and reflected in their respective funds.

The City reporting entity considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. At this time, the City has no investments with original maturity of three months or less.

CITY OF BANE BERRY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE 2 - ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (CONTINUED)

B. Prepays

Prepays record payments to vendors that benefit future reporting periods such as insurance. Prepays are similarly reported in government-wide and fund financial statements.

C. Capital Assets, Depreciation, and Amortization

The City's property, plant, 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. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5 – 50
Improvements, other than buildings	2 – 50
Mobile Equipment	3 – 30
Furniture, Machinery, and Equipment	3 – 30

D. Long-Term Debt

In the government-wide outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period.

E. Deferred Outflows/Inflows of Resources

The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as of July 1, 2012. This new standard established accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of net position will sometimes report a section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City implemented GASB Statement No. 68 and has deferred inflows reported related to unearned property taxes for the current year.

CITY OF BANE BERRY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE 2 - ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

E. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of net position will sometimes report a section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) 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. *Unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from other receivables, and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. For 2023 deferred inflows are reported related to unearned property taxes and deferred grant revenue.

F. Equity Classifications

Equity is classified as net position and displayed in three components in the government-wide financial statements.

Net Investment in Capital Assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

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 and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position consists of 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 balance is further classified as nonspendable, restricted, committed, assigned, or unassigned.

Nonspendable includes amounts that cannot be spent because they are not in spendable form, or for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, advances to other funds and long-term receivables.

Restricted represents constraints placed on the use of these resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or imposed by law (through constitutional provisions or enabling legislation).

CITY OF BANE BERRY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE 2 - ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

F. Equity Classifications (continued)

Committed represents amounts that can only be used for specific purposes as determined through formal action through adoption of an ordinance by the City Council, the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless City Council removes the constraints by taking the same formal action to modify or rescind the commitment. Committed fund balances include non-liquidated encumbrances for capital projects at year-end that are carried forward to the next fiscal year. Committed fund balances differ from restricted fund balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned represents amounts that are constrained by the City's intent to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. Assigned fund balance includes (a) all amounts that are reported in the governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts that are not restricted or committed in a special revenue, capital projects or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned is the residual classification of the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted fund balances first, then unrestricted amounts – committed, assigned and unassigned – as appropriate opportunities arise, but reserve the right to selectively spend unassigned resources first and to defer the use of these other classified funds.

NOTE 3 - ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

CITY OF BANE BERRY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE 4 - TAXES RECEIVABLE/TAX REVENUE

Property tax assessments made by the county tax assessor are adopted by the City, and the city commission sets the tax rate which is applied to the assessed value. The resulting property taxes become payable on and after October 1 in the year for which assessed and become delinquent on March 1 of the following year. The property taxes, including penalties and interest, create a lien on the assessed property, and the City may foreclose against the property to obtain the amounts due.

The City recognizes property tax revenue in its general fund financial statement during the fiscal year in which the property taxes are levied. The entire amount of the levy is recognized as revenue, and then at year end the amount not collected during the year or within 60 days after the fiscal year-end (but deemed collectible), is reclassified into a deferred revenue account, net of any allowance for uncollectible taxes.

The City records a receivable at June 30 fiscal year end for property taxes that are levied in October following the end of that fiscal year. The City does not recognize revenue from these taxes until the next fiscal year; therefore, these amounts are reported as deferred revenues.

NOTE 5 - BUDGETARY INFORMATION

A. Budget Policy and Practice

The City Manager submits an annual budget to the City Council in accordance with the City Charter for all departments and annual capital budget update at least 60 days before the beginning of the fiscal year which has to be adopted before the end of the current fiscal year. The budget is presented to the City Council for review, and public hearings are held to address priorities and allocation of resources. In June, the City adopts the annual fiscal year budgets for City's operating funds. Adoption of the budget constitutes appropriations of the amounts included as expenditures from the funds indicated and constitutes a levy of the proposed property tax. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

B. Basis of Budgeting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review of the City Council. Revisions to the budget were made at year-end. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable expenditures are expected to be used.

NOTE 6 - DEPOSITS

It is the City's policy for deposits to be 110 percent secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance.

CITY OF BANEERRY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE 6 - DEPOSITS (CONTINUED)

At June 30, 2023, cash on the balance sheet includes deposits with First Peoples Bank including demand deposits and certificates of deposit of \$1,352,680 per books and \$1,239,245 per the bank balance. Of the bank balance, \$500,000 was covered by the FDIC and \$739,245 was covered by collateral held at First Horizon Bank National Association, Knoxville, Tennessee for First Peoples Bank of Jefferson County, as an agent for the City of Baneberry.

NOTE 7 - ACCOUNT RECEIVABLE

Governmental Funds

The accounts receivable consists of Tennessee State shared revenues, local sales tax and franchise fees totaling \$21,489 and are due in 30 days.

Property tax receivable totals \$184,496 less a reserve for uncollectible taxes of \$2,800.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year then ended, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital Assets, not being depreciated	\$ 126,897	\$ -0-	\$ -0-	\$ 126,897
Capital Assets, being depreciated				
Buildings and Improvements	441,278	-0-	-0-	441,278
Machinery and Equipment	350,261	8,504	-0-	358,765
Infrastructure – roads	534,920	86,223	-0-	621,143
Vehicles	<u>400,313</u>	<u>-0-</u>	<u>-0-</u>	<u>400,313</u>
Total depreciable capital assets	1,726,772	94,727	-0-	1,821,499
Less: Accumulated Depreciation	<u>861,286</u>	<u>64,556</u>	<u>-0-</u>	<u>925,842</u>
Total Capital Assets, being depreciated	<u>865,486</u>	<u>30,171</u>	<u>-0-</u>	<u>895,657</u>
Governmental activities capital assets, net	<u>\$ 992,383</u>	<u>\$ 30,171</u>	<u>\$ -0-</u>	<u>\$1,022,554</u>

*Depreciation Expense*

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

General Government	\$ 9,928
Public Safety	27,375
Welfare and Recreation	1,006
Highways and Streets	<u>26,247</u>
Total Governmental Activities	<u>\$58,841</u>

CITY OF BANE BERRY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE 9 - LONG-TERM DEBT

Note obligations at June 30, 2023 consist of the following:

The City's outstanding long-term debt consisted of 2.8%, \$180,600 in capital outlay notes, issued by the City and purchased by First Horizon Bank to fund repairs of the City streets and purchase fire department equipment. The debt is backed by the full faith and credit of the City. The City is in compliance with all significant requirements of the covenants related to the capital outlay notes.

The annual requirements for the notes payable are:

Year Ending	<u>Governmental Activities</u>	
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 33,600	\$ 4,586
2025	34,600	3,632
2026	35,600	2,649
2027	36,600	1,638
2028	37,600	599
2029	<u>2,600</u>	<u>36</u>
Total	<u>\$180,600</u>	<u>\$13,140</u>

Schedule of Changes in Long-Term Debt

The following is a schedule of changes in the City's long-term debt for the year ended June 30, 2023.

	Balance <u>7/1/22</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>6/30/23</u>	Due Within <u>One Year</u>
Governmental Activities					
Capital Outlay Notes	<u>\$213,300</u>	<u>\$-0-</u>	<u>\$32,700</u>	<u>\$180,600</u>	<u>\$33,600</u>

CITY OF BANE BERRY, TENNESSEE

NOTES TO FINANCIAL STATEMENT (CONTINUED)

June 30, 2023

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Litigation

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

Federal 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 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year. In addition, there have been no losses in excess of insurance coverage in the last three years.

NOTE 12 - SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2023, the date of the most recent balance sheet have been evaluated for possible adjustment to the financial statements or disclosure is May 20, 2024, which is the date on which the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

CITY OF BANE BERRY, TENNESSEE

Schedule of Property Taxes Receivable

For the Fiscal Year Ended June 30, 2023

Tax Year	Property Tax Receivable Balance July 1, 2022	Property Tax Levied	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Net Receivable Balance June 30, 2023
2023	\$ -	\$ -	\$ 179,581.00	\$ -	\$ -	\$ 179,581
2022	-	173,609.00	-	-	(170,362)	3,247
2021	8,870	-	-	-	(8,022)	848
2020	653	-	-	-	(358)	295
2019	403	-	-	-	(143)	260
2018	320	-	-	-	(55)	265
2017	-	-	-	-	-	-
2016	-	-	-	-	-	-
2015	-	-	-	-	-	-
2014	-	-	-	-	-	-
2013	-	-	-	-	-	-
2012	-	-	-	-	-	-
2011	-	-	-	-	-	-
2010	-	-	-	-	-	-
Totals	<u>\$ 10,246</u>	<u>\$ 173,609</u>	<u>\$ 179,581.00</u>	<u>\$ -</u>	<u>\$ (178,940)</u>	<u>\$ 184,496</u>

Notes: All outstanding delinquent property taxes for years prior to 2022 have been turned over to the Clerk and Master for Collection.

See the accompanying independent accountants' audit report.

CITY OF BANE BERRY, TENNESSEE

Schedule of Tax Rates and Assessments

June 30, 2023

Fiscal Year	Assessed Value	Tax Rate per \$100	Total Tax Levy	Total Tax Collections	Total Collections as a Percent of Total Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes Filed in Chancery Court
2022	\$ 20,678,790	\$ 0.8242	\$ 173,609	\$ 170,362	98.13%	\$ 3,247	\$ 3,247
2021	20,220,144	0.8242	170,465	161,595	99.50%	848	848
2020	19,902,143	0.8242	166,211	165,709	99.82%	295	295
2019	18,067,094	0.8242	164,600	164,197	99.84%	260	260
2018	18,042,282	0.8242	150,594	150,196	99.82%	265	265
2017	18,090,793	0.8242	150,485	150,219	99.88%	-	-
2016	18,092,679	0.8242	149,052	149,052	100.00%	-	-
2015	17,932,793	0.8242	147,736	147,736	100.00%	-	-
2014	17,613,647	0.7754	147,048	147,048	100.00%	-	-
2013	18,632,791	0.7754	146,293	146,293	100.00%	-	-
2012	18,509,370	0.7754	144,761	144,761	100.00%	-	-
2011	18,486,658	0.7754	144,916	144,916	100.00%	-	-
2010	18,479,503	1.0100	144,772	144,772	100.00%	-	-

See the accompanying independent accountants' audit report.

CITY OF BANBERRY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

June 30, 2023

<u>Grantor Agency</u>	<u>Contract Number</u>	<u>Assistance Listing Number</u>	<u>Expenditures</u>
<b>Federal Awards</b>			
US Department of Treasury TN Department of Finance and Administration ARPA	N/A	21.027	<u>\$79,223</u>
<b>Total Federal Awards</b>			79,223
<b>State Awards</b>			
			<u>-0-</u>
<b>Total Federal and State Awards</b>			<u>\$79,223</u>

Basis of Presentation:

This schedule summarizes the expenditures of the City of Baneberry, Tennessee under programs of federal and state governments for the year ended June 30, 2023. The schedule is presented using the modified accrual basis of accounting.

CITY OF BANE BERRY, TENNESSEE

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

June 30, 2023

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Outstanding 7/1/2022</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2023</u>
<b>Governmental Activities</b>									
<u>NOTES PAYABLE</u>									
<u>Payable through General Fund</u>									
Street Repairs and Paving	\$ 400,000	2.80%	11/10/2016	9/1/2028	\$ 213,300	\$ -	\$ 32,700	\$ -	\$ 180,600

SCHEDULE OF LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS BY ISSUE

June 30, 2023

<u>Year Ending June 30</u>	<u>Fixed Rate \$281,100 Capital Outlay Note 2.8%</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 33,600	\$ 4,586
2025	34,600	3,632
2026	35,600	2,649
2027	36,600	1,638
2028	37,600	599
2029	2,600	
	<u>\$ 180,600</u>	<u>\$ 13,104</u>

See the accompanying independent accountants' audit report.

# DUANE CLINE, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANTS  
P.O. BOX 1951, 225 WEST FIRST NORTH STREET, SUITE 104  
MORRISTOWN, TENNESSEE 37816

DUANE CLINE, CPA

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MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor and Board of Commissioners  
City of Baneberry, Tennessee  
Baneberry, 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 each major fund of the City of Baneberry, Tennessee as of and for the year ended June 30, 2023, which collectively comprise the City of Baneberry, Tennessee's basic financial statements and have issued our report thereon dated May 20, 2024.

### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Baneberry, 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Baneberry, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Baneberry, 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 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. However, material weaknesses may exist that have not been identified. We identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies described as items 2023-001 and 2023-003.

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

As part of obtaining reasonable assurance about whether City of Baneberry, Tennessee's financial statements are free of 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 statements 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 an instance 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 item 2023-002.

## **City of Baneberry, Tennessee's Response to Findings**

City of Baneberry, Tennessee's response identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Baneberry, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

## **Purpose of this report**

This 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.



Duane Cline  
Certified Public Accountant

May 20, 2024

CITY OF BANE BERRY, TENNESSEE

FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2023

**Financial Statement Findings**

2023-001 Segregation of duties (Repeat Finding)

Condition: Due to the limited number of personnel available, a lack of segregation of duties exists in the areas of preparing bank deposits, preparing bank reconciliations, posting accounting transactions, issuing cash receipts and making disbursements.

Cause of the Finding: The small number of employees available to share the duties makes it difficult to have an adequate segregation of the custodial, authorization and record keeping functions.

Effect of the Finding: Without an adequate segregation of duties, it becomes more likely that intentional or unintentional errors could occur and not be detected in a timely manner.

Recommendation: Some of the duties should be assigned to other part time personnel and council members to ensure proper segregation of duties.

Management's Response: Management agrees with the finding but due to the size of the City, hiring additional personnel is not economically feasible. The City realizes a weakness exists and will review the situation to determine how internal controls can be strengthened. The City Manager is the contact related to this information.

2023-002 Expenditures exceeded appropriations in the State Street Aid Fund

Condition: The actual expenditures exceeded the budget amounts in the State Street Aid Fund.

Criteria: The State of Tennessee requires all expenditures of governmental funds to be appropriated.

Cause of the Finding: Actual expenditures exceeded approved appropriations due to no budgeted amount for street lights.

Effect of the Finding: The approved budget represents the authority of the City to expend funds, noncompliance is contrary to State law; therefore, amounts were expended in excess of appropriations.

Recommendation: Expenditures should be compared to budgetary appropriations and the budget should be amended as necessary to insure that budget appropriations are not exceeded.

Management's Response: The Town will monitor and amend the budget when necessary in all funds in future years.

2023-003 Controls over providing the City's Records

Condition: The City's year-end trial balance was not presented to the auditor until seven months after the June 30, 2024 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 provide books and records on a timely basis.

CITY OF BANE BERRY, TENNESSEE

SUMMARY OF PRIOR YEAR FINDINGS

For the year ended June 30, 2023

Financial Statement Findings

<u>Prior Year Finding Number</u>	<u>Finding Title</u>	<u>Status/ Current Finding Number</u>
2022-001	Adequate segregation of duties does not exist. (original finding #2009-001)	Repeated/ 2023-001



# CITY OF BANEBERRY



521 Harrison Ferry Road  
Baneberry, Tennessee 37890  
Telephone: 865-674-0124

Mayor: Donna Hernandez / Vice Mayor: Tom Carter / Commissioner: Mark Howard

## MANAGEMENT'S CORRECTIVE ACTION PLAN

The City of Baneberry, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2023.

Name and address of independent public accounting firm:

Duane Cline, CPA, LLC  
225 West First North Street, Suite 104  
Morristown, TN 37814

Audit period:  
June 30, 2023

The findings from the June 30, 2023 schedule of findings and recommendations are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**Finding 2023-001: Segregation of Duties**

Name of Contact      Michael Phagan, City Manager

Because of the size and workload of the City, it is not possible to hire additional staff at this time. We are mitigating this by City Council reviewing the financial information monthly and comparing to budget amounts. All checks require two signatures. We will monitor and discuss ways that controls can be strengthened.

Anticipated completion date: Ongoing

**Finding 2023-002: Expenditures exceeded approved budget**

Name of Contact      Michael Phagan, City Manager

Expenditures will be reviewed monthly and compared to budgetary appropriations and appropriate budget amendments will be prepared as needed.

Anticipated completion date: 6/30/2024

**Finding 2023-003: Controls Over Providing the City's Records**

Name of Contact Michael Phagan, City Manager

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

Anticipated completion date: 6/30/2024



Michael Phagan  
City Manager