

TOWN OF BULLS GAP, TENNESSEE

ANNUAL FINANCIAL REPORT

JUNE 30, 2023

**PREPARED BY:
DALE C. ISABELL, CPA**

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

December 31, 2023

Town of Bulls Gap, Tennessee
Board of Alderman
Bulls Gap, Tennessee 37711

To the Mayor and Board of Alderman:

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bulls Gap, Tennessee, as of and for the year ended June 30, 2023, and the related Notes to the Financial Statements which collectively comprise Town of Bulls Gap, Tennessee 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, the business – type activities, and each major fund, and the aggregate remaining fund information of the Town of Bulls Gap, Tennessee, as of June 30, 2023, the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons of the general fund, solid waste fund for the year then 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 Town of Bulls Gap 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 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 Town of Bulls Gap, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective 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 resultin from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Mistatements 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 *Governmental Auditing Standards*, I:

- 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 Town of Bulls Gap, 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 my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Bulls Gap, Tennessee'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.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bulls Gap, Tennessee basic 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 off the financial statements.

The schedules of change in long term debt by individual issue, Long term debt by Fiscal Year, schedule of salaries and official bonds of principal official, uncollected delinquent taxes filed with clerk and master, Schedule of Property Tax Receivable, tax rates and assessments-last ten fiscal years, schedule of Insurance and Bond Coverage and expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate 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 my 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 comprises the schedule of utility rates and metered customers and principal officials but does not include the basic financial statements and my auditors report thereon. My opinion on the financial statements do not cover the other information, and I do not express an opinion on 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 December 31, 2023, on my consideration of Town of Bulls Gap, Tennessee internal control over financial reporting and 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 Town of Bulls Gap, 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 Town of Bulls Gap, Tennessee internal control over financial reporting and compliance.

Very Truly Yours,

Dale C. Isabell, CPA

December 31, 2023

Town of Bulls Gap, Tennessee Management's Discussion and Analysis for the Year Ended June 30, 2023

The management of the Town of Bulls Gap, Tennessee (the Town) presents this Management's Discussion and Analysis (MD&A) of the Town's financial condition and results of operations for the fiscal year ended June 30, 2023. Comparative information is presented for review. This information should be read in conjunction with the accompanying financial statements.

This MD&A also presents an overview of the Town and the Sewer Fund, Public Utility Fund, known as the primary government.

The government-wide financial statements include only the primary government which is the total reporting entity.

FINANCIAL HIGHLIGHTS FOR 2023

The following are key financial highlights:

- The assets of the Town of Bulls Gap Primary Government were more than its Liabilities and Deferred Inflow of Resources at year-end 2023 by \$4,431,233.03.
- The Town of Bulls Gap Primary Government net position increased by \$ 55,312.72 during 2023.

For more detail, see Exhibit B in the Basic Financial Statements.

- At 2023 year-end, the Town's governmental funds reported combined ending fund balances of \$ 722,470.91.
- At June 30, 2023, the Unassigned General Fund Balance was \$ 373,597.33 or 51 percent of General Fund original budget for fiscal year 2023.

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS

The Town's Comprehensive Annual Financial Report (CAFR) is comprised of the following:

1. Introductory Section
2. Financial Section
 - Independent Auditor's Report
 - Management's Discussion and Analysis
 - Government-Wide Financial Statements
 - Fund Financial Statements
 - Notes to the Financial Statements
 - Individual Fund Financial Statements and Schedules
3. Internal Control and Compliance Section

Introductory Section. This section includes a roster of the Town's officials.

Basic Financial Statements. The Basic Financial Statements consist of the following:

Government-Wide Financial Statements. The *government-wide financial statements* include only the primary government which is the total reporting entity. The town does not have any discretely presented component units.

The *statement of net position* presents information on all the Town'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 Town is improving or deteriorating.

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

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

The governmental activities of the Town include the following:

- General Government
- Social, Cultural and Recreational Services
- Public Health and Welfare
- Other Operations Public Works
- Highway and Streets
Debt Service

The business-type activities of the Town include sewer services provided by the Sewer Fund.

The government-wide financial statements can be found on Exhibits A and B of the Basic Financial Statements.

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

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as 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 revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The town maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other governmental fund is presented in a single, aggregated presentation. Individual fund data for the nonmajor governmental fund is provided in the individual fund financial statements and schedules.

To demonstrate compliance with the budget, budgetary comparison statements have been provided for the General Fund as Exhibit C-5. Budgetary comparison statements for the Town's nonmajor budgeted funds, the Solid Waste/Sanitation Fund is provided in the individual fund financial statements and schedules.

Governmental fund financial statements can be found as Exhibits C-1 through C-5 in the Basic Financial Statements.

Proprietary Funds. Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The Town maintains one type of proprietary funds- enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The town has one enterprise fund to account for sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The town's enterprise fund, Sewer Fund, is a major fund and is reported separately in the government-wide and fund financial statements.

The proprietary fund financial statements can be found as Exhibits D-1 through D-3 in the Basic Financial Statements.

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.

Individual Fund Financial Statements and Schedules. In addition to the Basic Financial Statements and accompanying notes, this report also presents individual fund statements and schedules, Exhibits E-1 through E-3.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position (deficits) may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded its liabilities and Deferred Inflow of Resources by \$4,431,233.03. At year-end 2023, the Town's Statement of Net Position consisted of the following:

**TOWN OF BULLS GAP, TENNESSEE
STATEMENTS OF NET POSITION**

	2023			2022		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS						
Cash on Hand	\$ 1,285.57	\$.00	\$1,285.57	\$ 2,205.74	\$.00	2,205.74
Cash in Bank-Checking	697,358.46	367,829.28	1,065,187.74	479,132.42	359,985.55	839,117.97
Cash in Bank-Savings	.00	.00	.00	.00	.00	.00
Cash In Bank-CD	.00	53,023.11	53,023.11	.00	.00	.00
Accounts Receivable	41,683.82	24,663.76	66,347.58	41,579.88	17,696.36	59,276.24
Allowance for Uncollectibles	.00	(350.00)	(350.00)	.00	(350.00)	(350.00)
Internal Balances	.00	.00	.00	.00	.00	.00
Property Tax Receivable	262,017.00	.00	262,017.00	237,971.70	.00	237,971.70
Allowance for Uncollectible Property Tax	(2,620.00)	.00	(2,620.00)	(2,379.00)	.00	(2,379.00)
Prepaid Expenses	16,060.27	.00	16,060.27	13,285.94	.00	13,285.94
Restricted Assets:						
Revenue Bond Future Debt Service Account	.00	48,212.44	48,212.44	.00	44,850.12	44,850.12
Capital Assets:						
Assets Not Depreciated:						
Land	439,373.11	79,227.71	518,600.82	439,373.11	69,215.71	508,588.82
Assets Net of Accumulated Depreciation:						
Building and Improvements	317,121.75	.00	317,121.75	262,822.55	.00	262,822.55
Sewer Facilities	.00	2,749,580.07	2,749,580.07	.00	2,823,176.16	2,823,176.16
Other Capital Assets	75,098.00	5,607.53	80,705.53	59,975.21	8,757.07	68,732.28
Infrastructure-Streets	379,535.90	.00	379,535.90	404,382.52	.00	404,382.52
TOTAL ASSETS	\$ 2,226,913.88	\$3,327,793.90	\$5,554,707.78	\$1,938,350.07	\$3,323,330.97	\$5,261,681.04
LIABILITIES AND NET POSITION						
LIABILITIES						
Accounts Payable	\$ 13,999.66	\$ 8,710.47	\$ 22,710.13	\$ 25,884.73	\$ 72,132.47	\$ 97,778.14
Payroll Taxes Payable	5,467.51	.00	5,467.51	.00	.00	.00
Noncurrent Liabilities:						
Due Within One Year	26,000.00	9,795.22	35,795.22	30,000.00	9,625.42	39,625.42
Due In More Than One Year	299,000.00	508,781.89	807,781.89	.00	518,577.11	518,577.11
TOTAL LIABILITIES	344,467.17	527,287.58	871,754.75	55,884.73	600,335.00	656,219.73
DEFERRED INFLOW OF RESOURCES	251,620.00	100.00	251,720.00	229,491.00	50.00	229,541.00
NET POSITION						
Net Investment In Capital Assets	886,128.76	2,315,838.20	3,201,966.96	1,136,553.39	2,372,946.41	3,509,499.80
Restricted for Revenue Bond Debt Service	.00	48,212.44	48,212.44	.00	44,850.12	44,850.12
Restricted for Sewer Improvements	.00	.00	.00	6,051.69	.00	6,051.69
Restricted for Tn Direct Appropriation Grant	.00	.00	.00	68,712.00	.00	68,712.00
Restricted for Solid Waste/Sanitation	1,152.37	.00	1,152.37	2,232.00	.00	2,232.00
Unrestricted	743,545.58	436,355.68	1,179,901.26	439,425.06	305,149.44	744,574.50
TOTAL NET POSITION	\$ 1,630,826.71	\$ 2,800,406.32	\$ 4,431,233.03	\$ 1,652,974.34	\$ 2,722,945.97	\$ 4,375,920.31

By far, the largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, sewer facilities, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The town uses these capital assets to provide services; 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.

The Unrestricted Net Position may be used to meet the obligations to employees and creditors and to help fund next year's budget.

The Restricted Net Position is to meet Bond covenants to set aside funds for Revenue Bonds Future Debt Service Maturities.

During 2023, the Town's assets changed due to the following:

**TOWN OF BULLS GAP
CHANGES IN NET POSITION**

	2023		2022	
Revenues			Revenues	
Program Revenues:			Program Revenues:	
Charges for Services	\$241,924.25		Charges for Services	\$210,016.11
Operating Grants and Contributions	27,648.03		Operating Grants and Contributions	27,825.06
Capital Grants and Contributions	106,965.20		Capital Grants and Contributions	734,466.21
General Revenues:			General Revenues:	
Local Taxes	455,509.71		Local Taxes	453,252.53
State and Federal-Unrestricted	96,389.75		State and Federal-Unrestricted	90,970.28
Tn Direct Appropriation Grant	.00		Tn Direct Appropriation Grant	22,888.00
Licenses and Permits	462.00		Licenses and Permits	3,496.67
Interest Income	1,556.08		Interest Income	1,867.41
Insurance Refund	.00		Insurance Refund	2,971.00
Fines, Forfeitures and Penalties	.00		Fines, Forfeitures and Penalties	24,660.04
TML Bonus Revenues	5,545.00		TML Bonus Revenues	750.00
Archie Campbell Celebration	11,692.25		Archie Campbell Celebration	6,570.22
Contributions	904.00		Miscellaneous Refunds	.00
	\$ 948,596.27			\$1,579,733.53
Total Revenues and Transfers			Total Revenues and Transfers	

TOWN OF BULLS GAP
CHANGES IN NET POSITION (Continued)

	2023		2022
	Total Governmental and Business Type Activities		Total Governmental and Business Type Activities
Expenses		Expenses	
General Government	\$ 353,989.97	General Government	\$ 330,079.60
Social, Cultural and Recreation	21,389.89	Social, Cultural and Recreation	13,057.38
Public Health and Welfare	11,327.29	Public Health and Welfare	11,608.77
Other Operations Public Works	181,255.26	Other Operations Public Works	119,722.80
Highways and Streets	53,648.22	Highways and Streets	52,326.58
Debt Service	9,708.88	Debt Service	11,185.59
Sewer	262,964.04	Sewer	245,144.86
Total Expenses	894,283.55	Total Expenses	783,125.58
Increase (Decrease) in Net Position	54,312.72	Increase (Decrease) in Net Position	796,607.95
Prior Period Adjustment	1,000.00	Prior Period Adjustment	7,496.47
Net Position (Deficit) Beginning of Year	4,375,920.31	Net Position (Deficit) Beginning of Year	3,571,815.89
Net Position (Deficit), End of Year	\$4,431,233.03	Net Position (Deficit), End of Year	\$4,375,920.31

Governmental Activities. Governmental type activities for 2023 provided by the Town are primarily General Government 39%, and Other Operations Public Works 20%, and Streets and Bridges 6%.

The Town's main source of revenues is from local taxes - 40%.

Business Type Activities (BTA). The BTAs of the Town consist of sewer services by providing service to 327 customers.

CAPITAL ASSETS

The Town's investment in capital assets as of June 30, 2023 was \$4,045,544.07 net of accumulated depreciation. The majority of net capital assets are Land \$ 518,600.82, buildings and related improvements \$317,121.75, Infrastructure-Streets/Bridges \$379,535.90 and sewer facilities \$2,749,580.07.

	2023	
	Governmental Activities	Business-Type Activities
	Town	Sewer
Capital Assets-Net		
Land	\$ 439,373.11	\$ 79,227.71
Buildings and Improvements	317,121.75	.00
Other Capital Assets	75,098.00	5,607.53
Infrastructure:		
Streets and Bridges	379,535.90	.00
Sewer Facilities	.00	2,749,580.07
Total Capital Assets, Net of Accumulated Depreciation	\$ 1,166,553.39	\$ 2,901,148.94

The major capital asset additions during 2023 were due to the following:

Town:	
Sewer Facilities	<u>45,480.25</u>
Total	<u><u>45,480.25</u></u>

Additional information about capital assets can be found in Note VIII to the financial statements.

DEBT ADMINISTRATION

At the end of 2023 the Sewer Fund had outstanding debt of \$ 528,202.53. The town Governmental Funds outstanding debt as of June 30, 2023, was \$ 325,000.00 consisting of General Obligation Capital Outlay Notes.

	Town	Sewer
Debt		
Revenue and Tax Bonds	\$.00	\$518,577.11
Capital Outlay Notes	325,000.00	.00
Total Debt-Principal	325,000.00	.00
Less: Current Portion Due	<u>26,000.00</u>	<u>9,795.22</u>
Total Long-term Debt-Principal	<u>\$ 299,000.00</u>	<u>\$508,781.89</u>

During 2023, the Town retired \$ 29,000.00 in Capital outlay notes and \$9,625.42 in Sewer Revenue and Tax Bonds.

Additional information on debt can be found in Exhibit J1 and Exhibit J2 .

FINANCIAL ANALYSIS OF FUND FINANCIAL STATEMENTS

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

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

At the end of 2023, the Town's governmental funds reported combined ending fund balances of \$721,318.54, a increase of \$ 228,203.36 when compared to year-end 2022. An amount of \$373,597.33 is Unassigned Fund Balance, which is available for future appropriations. The Town's main operating fund is the General Fund. At year-end 2023, total fund balance was \$ 721,318.54 with Unassigned Fund Balance totaling \$ 373,597.33. The Unassigned Fund Balance represents 55 percent of total General Fund original budget during FY2023.

The General Fund's total fund balance increased by \$ 228,203.36 mainly result of \$ 325,000.00 Capital Outlay Note Proceeds earmarked for road improvements during 2023 not spent yet.,.

- Actual revenues was less then budget by \$ 8,972.91 due mainly to local sales tax revenues being down..
- Actual expenditures were \$ 39,075.57 less than the amended budget. This was due primarily to general government \$ 25,792.56 less than amended budget.

The General Fund budgetary comparison statement can be found as Exhibit C-5 in the Basic Financial Statements.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position and its percent to total net position of each proprietary fund are as follows:

- Sewer Fund \$ 743,545.58 or 45 % to total net position .

The Sewer Fund's net position increasedd by \$ 77,460.35 during 2023.

The proprietary fund financial statements can be found as Exhibits D-1 through D-3 in the Financial Section, Basic Financial Statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budget and the final amended budgeted expenditures for the General Fund was a increase of \$ 31,700.00.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

During the preparation of the FY 2023 budget, the following major assumptions were used:

- Assessed property values, the basis of property tax revenues, will not increase.
- Salaries and wages for employees have small increase with no cut in employees.
- The Unassigned Fund Balance represents 55 percent of General Fund Annual Budget.
- During 2023, the General Fund total fund balance increased \$ 228,203.36. to 721,318.54.
- During FY 2023, the Town of Bulls Gap, Tennessee reduced outstanding debt on General Obligation Capital Outlay Notes by \$ 29,000.00 and Sewer Revenue and Tax Bonds by \$9,625.42 during year ended June 30, 2023.

REQUESTS FOR INFORMATION

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

Mr. Michael Solomon, CMFO –City Administrator
P.O. Box 10
139 South Main Street
Bulls Gap, TN 37711

Phone: 423-235-5216

TOWN OF BULLS GAP, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2023

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash on Hand	\$ 1,285.57	\$.00	\$ 1,285.57
Cash in Bank-Checking	697,358.46	367,829.28	1,065,187.74
Cash in Bank-Certificate of Deposit	.00	53,023.11	53,023.11
Accounts Receivable	41,683.82	24,663.76	66,347.58
Allowance for Uncollectibles	.00	(350.00)	(350.00)
Property Tax Receivable	262,017.00	.00	262,017.00
Allowance for Uncollectible Property Tax	(2,620.00)	.00	(2,620.00)
Prepaid Expenses	16,060.27	.00	16,060.27
Restricted Assets:			
Revenue Bond Future Debt Service Account	.00	48,212.44	48,212.44
Capital Assets:			
Assets Not Depreciated:			
Land	439,373.11	79,227.71	518,600.82
Assets Net of Accumulated Depreciation:			
Building and Improvements	317,121.75	.00	317,121.75
Sewer Facilities	.00	2,749,580.07	2,749,580.07
Other Capital Assets	75,098.00	5,607.53	80,705.53
Infrastructure-Streets	379,535.90	.00	379,535.90
TOTAL ASSETS	<u>\$ 2,226,913.88</u>	<u>\$3,327,793.90</u>	<u>\$5,554,707.78</u>
LIABILITIES			
Current Liabilities:			
Payroll Taxes Payable	\$ 5,467.51	\$.00	\$ 5,467.51
Accounts Payable	13,999.66	8,710.47	22,710.13
Current Portion of Long Term debt	26,000.00	9,795.22	35,795.22
Noncurrent Liabilities:			
Due In More Than One Year	299,000.00	508,781.89	807,781.89
TOTAL LIABILITIES	<u>\$344,467.17</u>	<u>\$ 527,287.58</u>	<u>\$ 871,754.75</u>
DEFERRED INFLOW OF RESOURCES			
Unearned Revenues	<u>251,620.00</u>	<u>100.00</u>	<u>251,720.00</u>
TOTAL DEFERED INFLOW OF RESOURCES	<u>251,620.00</u>	<u>100.00</u>	<u>251,720.00</u>
NET POSITION			
Net Investment In Capital Assets	886,128.76	2,315,838.20	3,201,966.96
Restricted For Revenue Bond Future Debt Svcs	.00	48,212.44	48,212.44
Restricted for Solid Waste/Sanitation	1,152.37	.00	1,152.37
Unrestricted	743,545.58	436,355.68	1,179,901.26
TOTAL NET POSITION	<u>\$ 1,630,826.71</u>	<u>\$2,800,406.32</u>	<u>\$4,431,233.03</u>

The Notes to the Financial Statements are an integral part of this statement

TOWN OF BULLS GAP, TENNESSEE
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2023

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Position Primary Government		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 353,989.97	\$.00	\$.00	\$.00	\$ (353,989.97)	\$.00	(353,989.97)
Social Cultural and Recreational Services	21,389.89	.00	.00	.00	(21,389.89)	.00	(21,389.89)
Public Health and Welfare	11,327.29	.00	.00	.00	(11,327.29)	.00	(11,327.29)
Other Operations Public Works	181,255.26	.00	.00	.00	(181,255.26)	.00	(181,255.26)
Highways and Streets	53,648.22	.00	27,648.03	.00	(26,019.00)	.00	(26,019.00)
Debt Service	542.30	.00	.00	.00	(542.30)	.00	(542.30)
Total Governmental Activities	622,152.93	\$.00	\$ 27,648.03	.00	\$(594,504.90)	\$.00	\$(594,504.90)
Business-Type Activities							
Sewer	\$262,964.04	\$241,924.25	\$.00	\$106,965.20	\$.00	85,925.41	85,925.41
Total Business-Type Activities	262,964.04	241,924.25	.00	106,965.20	.00	85,925.41	85,925.41
Total Primary Government	\$885,116.97	\$241,924.25	\$ 27,648.03	\$106,965.20	\$(594,504.90)	85,925.41	\$(508,579.49)

General Revenues:		
Property Taxes		\$ 229,865.64
Local Sales Tax		151,071.95
State Sales Tax		89,943.22
Telecommunications		747.31
State Excise Tax		4,006.18
State Beer Tax		345.20
Beer Tax		54,264.09
Cable Franchise Tax		11,218.43
TVA In Lieu of Tax		9,089.60
Tn. Sports Gaming		1,347.84
TML Bonus Revenue		5,545.00
Building Permits		162.00
Zoning Permits		100.00
Beer Licenses		200.00
Interest Income	854.56	701.52
Interest Expense	.00	(9,166.58)
Contributions	904.00	.00
Archie Campbell Celebration	11,692.25	.00
Total General Revenues	571,357.27	(8,465.06)
Change In Net Position	(23,147.63)	77,460.35
Prior Period Adjustment Correct Principal On Debt	1,000.00	.00
Net Position (Deficit) July 1, 2022	1,652,974.34	2,722,945.97
Net Position (Deficit) June 30, 2023	\$ 1,630,826.71	\$2,800,406.32

The Notes to the Financial Statements are an integral part of this statement

TOWN OF BULLS GAP, TENNESSEE
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2023

	<u>Major Funds</u>	Nonmajor <u>Funds</u>	
	General <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>ASSETS</u>			
Cash	\$697,174.81	\$ 1,469.22	\$698,644.03
Accounts Receivable	41,683.82	.00	41,683.82
Property Tax Receivable	262,017.00	.00	262,017.00
Allowance for Uncollectible Property Taxes	(2,620.00)	.00	(2,620.00)
Prepaid Items	16,060.27	.00	16,060.27
Total Assets	<u>\$1,014,315.90</u>	<u>\$ 1,469.22</u>	<u>\$1,015,785.12</u>
<u>Liabilities</u>			
Payroll Taxes Payable	5,467.51	.00	5,467.51
Accounts Payable	13,682.81	316.85	13,999.66
Total Liabilities	<u>19,150.32</u>	<u>316.85</u>	<u>19,467.17</u>
<u>Deferred Inflow of Resources</u>			
Unearned Revenues	\$ 273,847.04	\$.00	\$ 273,847.04
Total Deferred Inflow of Resources	<u>273,847.04</u>		<u>273,847.04</u>
<u>Fund Balances</u>			
Non-Spendable	16,060.27	.00	16,060.27
Restricted for Road Paving	325,000.00	.00	325,000.00
Restricted for Archie Campbell Celebration	6,660.94	.00	6,660.94
Restricted for Solid Waste/Sanitation	.00	1,152.37	1,152.37
Unassigned	373,597.33	.00	373,597.33
Total Fund Balances	<u>721,318.54</u>	<u>1,152.37</u>	<u>722,470.91</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	<u>\$1,014,315.90</u>	<u>\$ 1,469.22</u>	<u>\$1,015,785.12</u>

The Notes to the Financial Statements are an integral part of this statement.

TOWN OF BULLS GAP, TENNESSEE
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
 THE GOVERNMENT-WIDE STATEMENT OF NET POSITION-
 GOVERNMENT ACTIVITIES
 June 30, 2023

Fund Balances-Total Governmental Funds	\$722,470.91
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	1,211,128.76
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds	22,227.04
(3A) Long term debt not reflected in Governmental Activities Accrued Interest	.00
(3B) Long term debt not reflected in Governmental Activities Note Principal	<u>(325,000.00)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES (EXHIBIT A)	<u>\$1,630,826.71</u>

The Notes to the Financial Statements are an integral part of this statement.

TOWN OF BULLS GAP, TENNESSEE
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2023

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	MAJOR FUNDS	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	
REVENUES			
Taxes	\$454,608.74	\$.00	\$454,608.74
Licenses and Permits	462.00	.00	462.00
Revenue From Use of Money or Property	849.83	4.73	854.56
Fines Forfeitures and Penalties	.00	.00	.00
Intergovernmental	123,785.27	.00	123,785.27
Other Local Revenues	18,141.25	.00	18,141.25
TOTAL REVENUES	\$597,847.09	\$ 4.73	\$597,851.82
EXPENDITURES			
Current			
General Government	\$362,684.44	\$.00	\$362,684.44
Social, Cultural and Recreation Services	85,713.37	.00	85,713.37
Public Health and Welfare	.00	8,584.56	8,584.56
Highways and Streets	27,948.36	.00	27,948.36
Other Operations Public Works	181,255.26	.00	181,255.26
Debt Service	29,542.30	.00	29,542.30
TOTAL EXPENDITURES	\$687,143.73	\$ 8,584.56	\$695,728.29

TOWN OF BULLS GAP, TENNESSEE
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS (CONTINUED)
 For the Year Ended June 30, 2023

	MAJOR FUNDS	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	
OTHER FINANCING SOURCES (USES)			
Transfer to Solid Waste Fund	(7,500.00)	7,500.00	.00
Capital Outlay Note Proceeds	325,000.00	.00	325,000.00
TOTAL OTHER FINANCING SOURCES (USES)	<u>317,500.00</u>	<u>7,500.00</u>	<u>325,000.00</u>
Revenue Over (Under) Expenditures and Other Financing Sources (Uses)	228,203.36	(1,079.83)	227,123.53
FUND BALANCE, JULY 1, 2022	<u>493,115.18</u>	<u>2,232.20</u>	<u>495,347.38</u>
FUND BALANCE, JUNE 30, 2023	<u>\$721,318.54</u>	<u>\$ 1,152.37</u>	<u>\$ 722,470.91</u>

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The Notes to the Financial Statements are an integral part of this statement.

TOWN OF BULLS GAP, TENNESSEE
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES-GOVERNMENTAL ACTIVITIES
 For the Year Ended June 30, 2023

Net Change in Fund Balances-Total Governmental Funds (Exhibit C-3) \$ 227,123.53

Amounts reported for governmental activities in the Statement of
 Activities (Exhibit B) are different because:

- (1) Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The amount that capital outlays differ from depreciation is itemized as follows:

Add: Capital outlays in the current period	88,771.00	
Less: Current year depreciation	<u>(44,195.64)</u>	44,575.36

- (2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

For the year ended June 30, 2023	22,227.04
For the year ended June 30, 2022	<u>(21,073.56)</u>

- (3) Governmental funds do not report accrued Interest Payable as an Expenditure. However in the statement of activities it is reported as an Expense.

- (4) Governmental funds report principal on debt as an expenditure. 29,000.00
 However In the statement of activities it is not reported as an expense.

- (5) Governmental funds report note proceeds as other financing sources. (325,000.00)
 However in the statement of activities it is not reported.

Change in Net Position of Governmental Activities (Exhibit B) (\$ 23,147.63)

The Notes to the Financial Statements are an integral part of this statement.

TOWN OF BULLS GAP, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-ACTUAL AND BUDGET: GENERAL FUND
For The Fiscal Year Ended June 30, 2023

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
Revenues				
Taxes				
Current Property Taxes	\$225,106.00	\$215,000.00	\$215,000.00	\$ 10,106.00
Prior-Year Property Taxes				
Delinquent Property Taxes	1,847.70	1,850.00	1,850.00	(2.30)
Clerk and Master's Collections	621.00	.00	.00	621.00
Interest and Penalty	615.63	600.00	600.00	15.63
Local Sales Tax	151,071.95	168,000.00	168,000.00	(16,928.05)
TVA In-Lieu of Tax Payments	9,089.60	8,450.00	8,450.00	639.60
Cable Franchise Tax	11,218.43	12,500.00	12,500.00	(1,281.57)
Beer Tax	55,038.43	68,250.00	68,250.00	(13,211.57)
Total Taxes	<u>454,608.74</u>	<u>474,650.00</u>	<u>474,650.00</u>	<u>(20,041.26)</u>
Licenses and Permits				
Beer Licenses	200.00	300.00	300.00	(100.00)
Building Permits	162.00	400.00	400.00	(238.00)
Zoning Permits	100.00	.00	.00	100.00
Total Licenses and Permits	<u>462.00</u>	<u>700.00</u>	<u>700.00</u>	<u>(238.00)</u>
Revenue From Use of Money or Property				
Interest Earned	<u>849.83</u>	<u>1,200.00</u>	<u>1,200.00</u>	<u>(350.17)</u>
Total Revenue From Use of Money or Property	<u>849.83</u>	<u>1,200.00</u>	<u>1,200.00</u>	<u>(350.17)</u>
Fines Forfeitures and Penalties				
Fines	<u>.00</u>	<u>100.00</u>	<u>100.00</u>	<u>(100.00)</u>
Total Compensation For Loss, Sale Damage to Pr	<u>.00</u>	<u>100.00</u>	<u>100.00</u>	<u>(100.00)</u>
Intergovernmental				
State Sales Tax	89,722.36	91,500.00	91,500.00	(1,777.64)
Telecommunications	747.09	1,200.00	1,200.00	(452.91)
State Income Tax	.00	250.00	250.00	(250.00)
State Beer Tax	345.20	350.00	350.00	(4.80)
Gasoline and Motor Fuel Tax	26,346.38	27,304.00	27,304.00	(957.62)
City Street and Transportation Fund	1,385.04	1,416.00	1,416.00	(30.96)
Tennessee Excise Tax	4,006.18	2,700.00	2,700.00	1,306.18
Sports Betting	<u>1,233.02</u>	<u>750.00</u>	<u>750.00</u>	<u>483.02</u>
Total Intergovernmental	<u>123,785.27</u>	<u>125,470.00</u>	<u>125,470.00</u>	<u>(1,684.73)</u>
Other Local Revenues				
TML Bonus Revenues	5,545.00	3,600.00	3,600.00	1,945.00
Archie Campbell Celebration	11,692.25	1,000.00	1,000.00	10,692.25
Miscellaneous Revenues	-	100.00	100.00	(100.00)
Contributions	<u>904.00</u>	<u>.00</u>	<u>.00</u>	<u>904.00</u>
Total Other Local Revenues	<u>18,141.25</u>	<u>4,700.00</u>	<u>4,700.00</u>	<u>13,441.25</u>
Total Revenues	<u>\$597,847.09</u>	<u>\$606,820.00</u>	<u>\$606,820.00</u>	<u>(\$8,972.91)</u>

Exhibit C5

TOWN OF BULLS GAP, TENNESSEE
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES-ACTUAL AND BUDGET: GENERAL FUND (CONTINUED)
 For The Fiscal Year Ended June 30, 2023

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Actual	Original	Final	
Expenditures				
Financial Administration				
Salaries-Officials	\$ 19,200.00	\$ 19,200.00	\$ 19,200.00	\$.00
Salary-Administrator of Finance	43,597.30	43,595.00	43,595.00	(2.30)
Salary Bonus	324.85	400.00	400.00	75.15
Salary-Building Inspector	1,200.00	1,200.00	1,200.00	.00
Matching Share FICA Taxes	3,987.97	2,750.00	2,750.00	(1,237.97)
Matching Share Medicare Taxes	932.67	900.00	900.00	(32.67)
Health Insurance	1,185.86	2,300.00	2,300.00	1,114.14
Unemployment Insurance	179.43	150.00	200.00	20.57
Education Training	383.91	2,500.00	2,500.00	2,116.09
Travel Expense	1,923.13	3,000.00	2,000.00	76.87
Contractual Services	6,556.60	4,000.00	6,500.00	(56.60)
Postage	1,107.14	1,000.00	1,000.00	(107.14)
Publications Reports	831.23	300.00	1,000.00	168.77
Membership Dues	1,190.00	1,250.00	1,250.00	60.00
Legal Notices	1,379.36	2,500.00	2,500.00	1,120.64
Subscriptions	50.95	75.00	75.00	24.05
Membership Registration Fees	1,492.00	750.00	1,500.00	8.00
Christmas Expense	3,648.26	3,000.00	3,700.00	51.74
Advertising	4,459.89	3,000.00	5,000.00	540.11
Electricity	11,640.51	13,000.00	13,000.00	1,359.49
Water and Sewer	96,592.98	96,000.00	99,000.00	2,407.02
Telephone	4,612.19	4,800.00	4,300.00	(312.19)
Professional Services	8,694.04	10,000.00	10,000.00	1,305.96
Medical	417.12	750.00	750.00	332.88
Attorney	1,050.00	1,200.00	1,200.00	150.00
Audit Expense	19,900.00	19,900.00	19,900.00	.00
Engineering Fees	.00	5,000.00	.00	.00
Bill Expense Postage Computer	372.00	500.00	500.00	128.00
State Planning Service	6,644.00	6,644.00	6,644.00	.00
Repair and Maintenance Service	470.92	1,000.00	1,000.00	529.08
Vehicle Maintenance	8,524.18	3,000.00	9,000.00	475.82
Repair and Maintenance Buildings	15,405.54	15,000.00	16,000.00	594.46
Property Maintenance	.00	1,000.00	.00	.00
Other Contracted Services	1,087.22	1,000.00	1,200.00	112.78
Machinery and Equipment Rental	785.11	2,000.00	2,000.00	1,214.89
Sundry and Miscellaneous	1,214.94	1,500.00	1,500.00	285.08
Supplies	8,277.62	6,000.00	8,500.00	222.38
Office Supplies	71.81	1,500.00	1,500.00	1,428.19
Equipment	659.99	8,000.00	1,000.00	340.01
Uniforms	4,937.93	7,500.00	7,500.00	2,562.07
Repair and Maintenance Supplies	2,725.57	2,500.00	3,500.00	774.43
Gasoline and Fuel	3,250.09	4,500.00	3,500.00	249.91
Tires and Tubes	228.30	1,000.00	1,000.00	771.70
Tools	645.59	1,000.00	1000.00	354.41
Museum Acquisition	.00	250.00	.00	.00
Park Expense	8,712.50	10,000.00	9,000.00	287.50

TOWN OF BULLS GAP, TENNESSEE
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES-ACTUAL AND BUDGET: GENERAL FUND (CONTINUED)
 For The Fiscal Year Ended June 30, 2023

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	Actual	Original	Final	
Expenditures (cont.)				
City Owned Property	.00	2,000.00	2,000.00	2,000.00
Insurance Premiums	41,241.67	36,663.00	44,913.00	3,671.33
Lease on NS Property	1,365.39	1,500.00	1,500.00	134.61
Tax Overpayment Refund	.00	50.00	50.00	50.00
Printing	310.00	.00	.00	(310.00)
Bank Charges	427.11	300.00	450.00	22.89
State Fees	434.14	-	500.00	65.86
Grants/Donations	7,267.72	9,500.00	7,500.00	232.28
Prizes and Awards	225.00	500.00	500.00	275.00
Local Government Processing	<u>10,862.71</u>	<u>10,000.00</u>	<u>11,000.00</u>	<u>137.29</u>
Total Financial Administration	<u>362,684.44</u>	<u>376,927.00</u>	<u>388,477.00</u>	<u>25,792.56</u>
Social, Cultural and Recreation Services				
Engineering Fees	.00	1,000.00	.00	.00
State Permits	.00	125.00	125.00	125.00
Sundry and Miscellaneous	881.07	500.00	500.00	(381.07)
Signage	.00	1,000.00	.00	.00
City Owed Property	184.20	1,000.00	500.00	315.80
Construction	75,478.78	55,000.00	76,000.00	521.22
Archie Campbell Celebration	<u>9,169.32</u>	<u>.00</u>	<u>9,000.00</u>	<u>(169.32)</u>
Total Social, Cultural and Recreation Svcs.	<u>85,713.37</u>	<u>58,625.00</u>	<u>86,125.00</u>	<u>411.63</u>
Highways and Streets				
Street Lighting	20,905.84	20,000.00	22,000.00	1,094.16
Vehicle Maintenance	492.50	1,000.00	1,000.00	507.50
Repair and Maintenance Equipment	.00	1,000.00	.00	.00
Repair and Maintenance Traffic Signal	1,252.60	750.00	750.00	(502.60)
Repair and Maintenance Streets	.00	1,000.00	1,000.00	1,000.00
Supplies	895.44	1,200.00	1,200.00	304.56
Equipment	.00	500.00	.00	.00
Gasoline and Fuel	2,849.48	1,500.00	3,000.00	150.52
Street Signs	1,402.50	10,000.00	1,000.00	(402.50)
Drainage Culverts	.00	1,000.00	.00	.00
Crushed Stone	<u>150.00</u>	<u>1,200.00</u>	<u>1,200.00</u>	<u>1,050.00</u>
Total Highways and Streets	<u>\$27,948.36</u>	<u>\$39,150.00</u>	<u>\$31,150.00</u>	<u>\$3,201.64</u>

TOWN OF BULLS GAP, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-ACTUAL AND BUDGET: GENERAL FUND (CONTINUED)
For The Fiscal Year Ended June 30, 2023

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
Other Operations Public Works				
Salaries-Operator	\$ 3,052.80	\$5,000.00	\$ 3,500.00	\$ 447.20
Salaries-Regular Public Works	153,845.85	138,000.00	158,000.00	4,154.15
Salaries-Overtime	8,777.58	8,600.00	10,000.00	1,222.42
Wages-Bonus	1,407.71	2,100.00	2,100.00	692.29
Employee Benefits	.00	3,600.00	3,600.00	3,600.00
FICA Tax Matching Share	10,359.20	8,600.00	8,600.00	60.71
Medicare Tax Matching Share	2,422.71	2,000.00	2,000.00	(422.71)
Uniforms	<u>1,389.41</u>	<u>750.00</u>	<u>1,500.00</u>	<u>110.59</u>
Total Other Operations Public Works	<u>181,255.26</u>	<u>168,650.00</u>	<u>189,300.00</u>	<u>8,044.74</u>
Debt Service				
Principal On Notes	29,000.00	31,167.00	31,167.00	2,167.00
Interest On Notes	<u>542.30</u>	-	-	<u>(542.30)</u>
Total Debt Service	<u>29,542.30</u>	<u>31,167.00</u>	<u>31,167.00</u>	<u>1,624.70</u>
Total Expenditures	687,143.73	674,519.00	726,219.00	39,075.27
Other Financing Sources, (Uses)				
Transfer to Solid Waste Fund	(7,500.00)	(7,500.00)	(7,500.00)	.00
Capital Outlay Note Proceeds	325,000.00	.00	.00	325,000.00
Total Other Financing Sources (Uses)	<u>317,500.00</u>	<u>(7,500.00)</u>	<u>(7,500.00)</u>	<u>325,000.00</u>
Total Expenditures Other Financing Sources (Uses)	<u>\$369,643.73</u>	<u>\$667,019.00</u>	<u>\$718,719.00</u>	<u>\$364,075.27</u>
Revenue Over (Under) Expenditures and Other Financings Sources (Uses)	228,203.36			
Fund Balance As Of July 1, 2022	<u>493,115.18</u>			
Fund Balance As Of June 30, 2023	<u><u>\$721,318.54</u></u>			

The Notes to the Financial Statements are an integral part of this statement.

TOWN OF BULLS GAP, TENNESSEE
 STATEMENT OF NET POSITION
 PROPRIETARY FUND
 June 30, 2023

	Business Type Activities- Enterprise Fund Sewer Fund
ASSETS	
Current Assets:	
Cash In Bank-Checking	\$ 367,829.28
Cash in Bank-Certificate of Deposit	53,023.11
Accounts Receivable	24,663.76
Allowance For Uncollectibles	(350.00)
Restricted Assets:	
Revenue Bond Future Debt Service Account-CD	48,212.44
Noncurrent Assets:	
Capital Assets:	
Assets Not Depreciated:	
Land	79,227.71
Assets Net of Accumulated Depreciation:	
Sewer Facilities	2,749,580.07
Equipment	5,607.53
	<u>2,755,187.60</u>
TOTAL ASSETS	<u>\$ 3,327,793.90</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 8,710.47
Accrued Interest Payable	.00
Current Portion of Long Term Debt	9,795.22
Noncurrent Liabilities:	
Due In More Than One Year	508,781.89
TOTAL LIABILITIES	<u>527,287.58</u>
DEFERRED INFLOW OF RESOURCES:	
Unearned Revenues	<u>100.00</u>
NET POSITION	
Net Investment In Capital Assets	2,315,838.20
Restricted for Revenue Bond Future Debt Service Account	48,212.44
Unrestricted	436,355.68
TOTAL NET POSITION	<u>\$ 2,800,406.32</u>

The Notes to the Financial Statements are an integral part of this statement.

TOWN OF BULLS GAP, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION – PROPRIETARY FUND
For The Year Ended June 30, 2023

	Business Type Activities- Enterprise Fund Sewer Fund
<u>Operating Revenues</u>	
Charges for Services	\$ 234,574.25
Sewer Tap Fees	7,350.00
Total Operating Revenues	<u>241,924.25</u>
<u>Operating Expenses:</u>	
Repair and Maintenance	1,590.54
Repair and Maintenance Vehicle	523.40
State Maintenance Fee	750.00
Contract Services-Mosheim	69,592.45
Professional Services-Billing	11,944.90
Membership Dues	450.00
Repair and Maintenance Supplies	12,561.04
Supplies	19,085.55
Electricity	16,874.28
Water and Sewer	521.35
Gas	164.29
Machinery and Equipment Rental	3,383.79
Equipment	119.99
Uniforms	170.99
Tools	250.37
Bank Charges	125.03
Sundry/Miscellaneous	2,630.19
Depreciation	122,225.88
Total Operating Expenses	<u>262,964.04</u>
Operating Income (Loss)	(21,039.79)
<u>Nonoperating Revenues (Expenses)</u>	
American Recovery Rescue Grant	106,965.20
Interest Income	701.52
Interest Expense	(9,166.58)
Total Nonoperating Revenues (Expenses)	<u>98,500.14</u>
Change in Net Position	77,460.35
Net Position, July 1, 2022	<u>2,722,945.97</u>
Net Position, June 30, 2023	<u>\$ 2,800,406.32</u>

The Notes to the Financial Statements are an integral part of this statement.

TOWN OF BULLS GAP, TENNESSEE
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 For the Year Ended June 30, 2023

	Business Type Activities- Enterprise Fund Sewer Fund
Cash Flows From Operating Activities:	
Receipts From Customers and Users	\$ 222,961.95
Payment to Vendors	(192,115.26)
Net Cash Provided By (Used In) Operating Activities	<u>30,846.69</u>
Cash Flows From Nonoperating Activities:	
American Recovery Rescue Grant	106,965.20
Net Cash Provided By (Used In) Nonoperating Activities	<u>106,965.20</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction Of Fixed Assets	(55,492.25)
Interest Payment On Bonds	(9,166.58)
Principal Payment On Bonds	(9,625.42)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(74,284.25)</u>
Cash Flows From Investing Activities:	
Interest Income	701.52
Net Cash Provided By (Used) In Investing Activities	<u>701.52</u>
Increase (Decrease) In Cash and Cash Equivalents	64,229.16
Cash and Cash Equivalents, July 1, 2022	<u>404,835.67</u>
Cash and Cash Equivalents, June 30, 2023	<u>\$ 469,064.83</u>

TOWN OF BULLS GAP, TENNESSEE
 STATEMENT OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUND
 For the Year Ended June 30, 2023

	Business Type Activities- Enterprise Fund Sewer Fund
Operating Income (Loss)	(\$ 21,039.79)
Adjustments To Reconcile Net Operating Income (Loss) To Net Cash Provided by (Used In) Operating Activities:	
Depreciation	122,225.88
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(6,967.40)
Increase (Decrease) in Payables	(63,422.00)
Increase (Decrease) in Unearned Revenue	<u>50.00</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 30,846.69</u>
Reconciliation Of Cash and Cash Equivalents With Net Position	
Cash Per Net Position	\$ 420,852.39
Revenue Bond Future Debt Service Account Per Net Position	<u>48,212.44</u>
Cash and Cash Equivalents, June 30, 2023	<u>\$ 469,064.83</u>

The Notes to the Financial Statements are an integral part of this statement.

TOWN OF BULLS GAP, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Town of Bulls Gap financial statements are presented in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. *The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.* The statement includes the following:

The financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of a government's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting for all of a government's activities, including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

These are reflected in the accompanying financial statements (including Notes to the Financial Statements). The retroactive reporting of infrastructure assets acquired prior to July 1, 2003, for streets and bridges are not included.

A. Reporting Entity

The Town of Bulls Gap is a public municipal corporation governed by an elected five-member board. As required by GAAP, these financial statements present the Town of Bulls Gap (the primary government) and it has no component units.

Blended Component Units-There are no legally separate component units of Town of Bulls Gap that meet the criteria for being reported as part of the primary government by the blending method.

Discretely Presented Component Units-There are no discretely presented component units for the Town of Bulls Gap, Tennessee.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statements of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements.

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

Separate financial statements are provided for governmental funds and proprietary funds.

Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

Fund financial statements of Town of Bulls Gap are organized into funds, each of which is considered to be a separate accounting entity. 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. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All other governmental funds and enterprise funds are aggregated into a single column on the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The Town of Bulls Gap considers grant and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on general long-term debt are recognized as fund liabilities when due.

Property taxes for the period levied, in-lieu-of-tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the Town receives cash.

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

The Town of Bulls Gap reports the following major governmental funds:

General Fund-This is the Town'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 Town of Bulls Gap reports the following major enterprise fund:

Sewer Fund-This fund is used to account for operations of the Town's sewage treatment facilities.

Additionally, the Town of Bulls Gap reports the following fund types:

Special Revenue Funds-These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and

contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The Town has one proprietary fund. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the Town's enterprise fund is charges for services from users. Operating expenses for the enterprise fund include salaries, purchase of supplies and materials and depreciation of capitalized assets.

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

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

For purposes of the Statement of Cash Flows, cash includes cash on hand, demand deposits, cash equivalents and the restricted asset revenue bond future debt service account. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less.

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government, and obligations guaranteed by the U.S. government, or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the Town's own legally issued bonds or notes, the State Treasurer's Investment Pool and in repurchase agreements.

2. Receivables and Payables

Activity between funds for unremitted current collections or that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All property tax receivables are shown net of an allowance for uncollectibles..The property tax receivable allowance for the year levied is equal to less than 1.0 percent of property taxes receivable at June 30, 2023.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1, and is referred to as the lien date. However, revenues

from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection.

Property taxes are assessed and a lien becomes attached to the property effective January 1 of the tax year. Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

3. Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Restricted Assets

Certain resources set aside for the repayment of enterprise fund revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The Revenue Bond Future Debt Service account is used to report resources set aside to comply with those covenants.

5. Capital Assets

Governmental funds do not capitalize the cost of capital outlays. Governmental funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of 1,000.00 or more and an estimated useful life exceeding one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building and Improvements	40
Other Capital Assets	5-20
Infrastructure	25-40

6. Compensated Absences

It is the Town's policies to permit employees to accumulate earned but unused vacation benefits. There is no liability for unpaid accumulated leave as of June 30, 2023. There is no liability for vacation pay as of June 30, 2023.

7. Deferred Outflow/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, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statements of Net Position.

Only the matured portion (the portion that has come due for payment) of general long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, claims and judgments, and special termination benefits are recognized to the extent that the liabilities have matured (come due for payment) each period.

The Town of Bulls Gap, Tennessee, issued \$250,000.00 General Obligation Capital Outlay Notes on November 19, 2012, at interest rate of 3.89% payable as set forth below semi-annually on May 1 and November 1 of each year commencing May 1, 2013. These Notes were issued with the Tennessee Municipal Bond Fund. The purpose of these notes was Governmental Activities repair, improvements of roads. During year ended June 30, 2023, the Town of Bulls Gap, Tennessee, paid \$ 542.30 in interest expense on this loan. The Town of Bulls Gap also paid \$ 29,000.00 principal payment on this loan. As of June 30, 2023, the balance owed on this loan was \$ 00.

The Town of Bulls Gap issued \$ 325,000.00 in Capital Outlay Notes on April 12, 2023 at interest rate of 5.110%. The purpose of these notes was Governmental Activities repair, improvements of roads. .These notes are to be repaid over 10 year period. During year ended June 30, 2023 \$.00 was paid on principal on this loan. The amount of interest paid on this loan was \$.00. The balance on this loan as of June 30, 2023 was \$ 325,000.00.

The Town of Bulls Gap issued \$540,000.00 Sewer Revenue and Tax Bond Series 2018 at 1.75% interest rate dated March 4, 2021 to be repaid over 40 year period. The Town of Bulls Gap paid \$9,625.42 principal payments and \$9,166.58 interest expense during year ended June 30, 2023. The balance owed on these bonds as of June 30, 2023 \$518,577.11.

**SCHEDULE OF PRINCIPAL AND INTEREST
REQUIREMENTS BY FISCAL YEAR
June 30, 2023**

<u>GOVERNMENTAL ACTIVITIES:</u>		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
General Obligation Notes Paving				
Capital Outlay Notes				
Series 2023-Repair & Improvement Roads				
Year Ending June 30,				
	2024	26,000.00	16,100.05	42,100.05
	2025	27,000.00	15,278.90	42,278.90
	2026	28,000.00	13,899.20	41,899.20
	2027	30,000.00	12,468.40	42,468.40
	2027-2033	<u>214,000.00</u>	<u>39,858.00</u>	<u>253,858.00</u>
TOTAL		<u>325,000.00</u>	<u>97,604.55</u>	<u>422,604.55</u>

BUSINESS TYPE ACTIVITIES

Sewer Revenue and Tax
Bond Series 2018

	2024	9,795.22	8,996.78	18,792.00
	2025	9,968.02	8,823.98	18,792.00
	2026	10,143.87	8,648.13	18,792.00
	2027	10,322.83	8,469.17	18,792.00
	2028-2061	<u>478,347.17</u>	<u>155,160.69</u>	<u>633,507.86</u>
TOTAL		<u>\$518,577.11</u>	<u>\$190,198.75</u>	<u>\$708,775.86</u>

SCHEDULE OF LONG-TERM DEBT

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>END BALANCE</u>
	<u>JULY 1, 2022</u>			<u>JUNE 30, 2023</u>
GOVERNMENTAL ACTIVITIES:				
	\$29,000.00	\$ 325,000.00	\$ 29,000.00	\$ 325,000.00
BUSINESS TYPE ACTIVITIES:				
	<u>528,202.53</u>	<u>.00</u>	<u>9,625.42</u>	<u>518,577.11</u>
TOTAL	<u>\$557,202.53</u>	<u>325,000.00</u>	<u>\$ 38,625.42</u>	<u>\$843,577.11</u>

9. **Fund Balances**

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," states that the objective is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The categories of fund balance presented in the Town of Bulls Gap, Tennessee, and financial statements have changed as a result of implementing this Statement.

Beginning with fiscal year 2011, The Town of Bulls Gap implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Non-spendable, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned)

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, donors, grantors, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of Board of Alderman which is (the Town of Bulls Gap system's highest level of decision making authority). The formal action that is required to be taken to establish (and modify and rescind) a fund balance commitment is approval by Board of Alderman.

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The mayor of Town of Bull's Gap is authorized official to assign amounts to a specific purpose for assigned fund balance.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

If the Town of Bulls Gap System has an expenditure that is incurred for purposes of multiple account classification, the Town of Bulls Gap System's policy is to apply the expenditure in the following order: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified.

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

10. Net Position:

In the government-wide financial statements and the proprietary fund in the fund financial statements, equity is classified as net position and displayed in three components:

- a. *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 improvement of those assets.

Governmental Activities:

Capital assets	\$ 2,105,550.47
Accumulated depreciation	(894,421.71)
Principal balance on long-term debt	<u>(325,000.00)</u>
	\$ 886,128.76

Business-Type Activities:

Capital assets	\$ 4,908,453.22
Accumulated depreciation	(2,074,037.91)
Principal balance on long-term debt	<u>(518,577.11)</u>
	\$ 2,315,838.20

- b. *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.
- c. *Unrestricted net position*—All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation Of Certain Differences Between The Governmental Fund Balance Sheet And The Government-Wide Statement Of Net Position

Primary Government

Exhibit C-2 in the Basic Financial Statements includes explanations of the nature of individual elements of items required to reconcile fund balances reported on the Governmental Funds Balance Sheet (Exhibit C-1) to net position reported in the primary government-governmental activities column of the Statement of Net Position (Exhibit A).

B. Explanation Of Certain Differences Between The Governmental Fund Statement Of Revenues, Expenditures, And Changes In Fund Balances And The Government-Wide Statement Of Activities

Primary Government

Exhibit C-4 in the Basic Financial Statements includes explanations of the nature of individual elements of items required to reconcile net changes in fund balances-governmental funds (Exhibit C-3) to changes in net position reported in the primary government-governmental activities column of the Statement of Activities (Exhibit B).

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Town of Bulls Gap, Tennessee, is required by state statute to adopt annual budgets. The General Fund and Special Revenue Funds budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures may not legally exceed appropriations authorized by the Board of Aldermen and any authorized revisions. Appropriations lapse at the end of each fiscal year.

The Town’s budgetary basis of accounting is consistent with Generally Accepted Accounting Principles (GAAP).

IV. PROPERTY TAXES

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty on March 1.

Assessed values are established by the State of Tennessee at the following rates of assumed market value.

Public Utility	55% (railroads 40%)
Industrial and Commercial Property:	
Real	40%
Personal	30%
Residential Property	25%

Taxes are levied at \$0.70 per \$100 of assessed valuation.

V. DETAILED NOTES ON ALL FUNDS

A. Deposits And Investments

The captions on the Statement of Net Position in the government-wide statements (Exhibit A) related to cash for Town of Bulls Gap, Tennessee:

Town of Bulls Gap Exhibit A- Governmental and Business-Type Activities	
Cash	\$ 1,119,496.42
Revenue Bond Future Debt Service Account	48,212.44
Total	<u>\$1,167,708.86</u>

Cash includes cash on hand, demand deposits, and passbook savings accounts and Certificate of Deposits. Cash is analyzed as follows:

Town of Bulls Gap Exhibit A- Governmental and Business-Type Activities	
Cash on Hand	\$ 1,285.57
Cash in Bank	1,065,187.74
Investments-CD	101,235.55
Total	<u>\$ 1,167,708.86</u>

VI. CASH AND CASH EQUIVALENTS

Tennessee Code Annotated (TCA) Sections 7-86-122 and 5-8-301 authorize the Town of Bulls Gap, Tennessee, to invest in obligations for the Federal Government, the State of Tennessee, U.S. governmental agencies, the State of Tennessee local government investment pool, certificates of deposit, and repurchase agreements.

All of the Town's Deposits and Investments for Governmental, and business type activities, individual major funds and nonmajor funds in the aggregate are cash in checking or savings accounts that are FDIC insured or secure by deposits by pledging governmental securities.

Highly liquid investments that have "original" maturities of three months or less are considered to be cash equivalents.

TCA Section 5-8-201 requires that financial institutions secure deposits by pledging governmental securities as collateral. The market value of the securities must equal at least 105 percent of the Town's deposits.

The Town's cash deposits as of June 30, 2023, were covered 100 percent by Federal Deposit Insurance or collateralized by securities in the Town's name. The Town's cash deposits are classified, as of June 30, 2023, as follows.

		Total Bank Balances	Carrying Amount	Fair Value
Demand Deposits	1166,423	1,166,423	1166,423	1166,423
TOTAL	1166,423	1,166,423	1166,423	1166,423

VII. PENDING LITIGATION-SETTLEMENT-JUDGMENTS

There are no pending litigation or judgments as of date of this audit report.

VIII. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

Governmental Activities:

Capital Assets Not Being Depreciated:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$439,373.11	\$.00	\$.00	\$439,373.11
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	\$439,373.11	.00	\$.00	\$439,373.11

Capital Assets Being Depreciated:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Buildings and Improvements	\$586,981.31	\$15,175.00	\$.00	\$602,156.31
Roads, Streets, and Bridges, Includes Infrastructure	775,878.68	.00	.00	775,878.68
Other Capital Assets	<u>214,546.36</u>	<u>73,596.00</u>	<u>.00</u>	<u>288,142.36</u>
Total Capital Assets Being Depreciated	<u>\$1,577,406.35</u>	<u>\$88,771.00</u>	<u>\$.00</u>	<u>\$1,666,177.35</u>
Less Accumulated Depreciation For:				
Building and Improvements	\$324,158.76	\$14,949.80	\$.00	\$339,108.56
Roads, Streets, and Bridges, Includes Infrastructures	367,033.96	25,699.87	.00	392,733.83
Other Capital Assets	<u>159,033.35</u>	<u>3,545.97</u>	<u>.00</u>	<u>162,579.32</u>
Total Accumulated Depreciation	<u>\$850,226.07</u>	<u>\$44,195.64</u>	<u>\$.00</u>	<u>\$894,421.71</u>
Total Capital Assets Being Depreciated Net	<u>\$727,180.28</u>	<u>\$88,771.00</u>	<u>\$44,195.64</u>	<u>\$771,755.64</u>
Governmental Activities Capital Assets, Net	<u>\$1,166,553.39</u>	<u>\$88,771.00</u>	<u>\$44,195.64</u>	<u>\$1,211,128.75</u>

Business-Type Activities:

Capital Assets Not Being Depreciated:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 69,215.71	10,012.00	\$.00	\$ 79,227.71
Construction in Progress	.00	.00	.00	.00

Capital Assets Being Depreciated:

Sewer Facilities	\$4,783,745.26	\$ 45,480.25	\$.00	\$4,829,225.51
Total Capital Assets Being Depreciated	<u>\$4,783,745.26</u>	<u>\$ 45,480.25</u>	<u>.00</u>	<u>\$4,829,225.51</u>

Less Accumulated Depreciation For:

Sewer Facilities	\$1,951,812.03	\$122,225.88	.00	\$2,074,037.91
Total Accumulated Depreciation	<u>\$1,951,812.03</u>	<u>\$122,225.88</u>	<u>\$.00</u>	<u>\$ 2,074,037.91</u>

Total Capital Assets
Being Depreciated,
Net

	<u>\$2,831,933.23</u>	<u>\$45,480.25</u>	<u>\$122,225.88</u>	<u>\$2,755,187.60</u>
--	-----------------------	--------------------	---------------------	-----------------------

Business-type
Activities Capital
Assets, Net

	<u>\$2,901,148.94</u>	<u>\$ 55,492.25</u>	<u>\$122,225.88</u>	<u>\$2,834,415.31</u>
--	-----------------------	---------------------	---------------------	-----------------------

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

Governmental Activities:

General Government	\$6,480.53
Social, Cultural and Recreational Services	9,272.52
Public Health and Welfare	2,742.73
Highways, including depreciation of infrastructure assets	25,699.86
Total Depreciation Expense Business-type Activities	<u>\$ 44,195.64</u>

Business-Type Activities:

Sewer Fund	\$122,225.88
Total Depreciation Expense Business-type Activities	<u>\$166,421.52</u>

X. OTHER RESTRICTED NET POSITION, RESERVED FUND BALANCES AND DESIGNATIONS

The Town of Bulls Gap had \$1,152.37 in Restricted Net Position for Solid Waste/Sanitation as of June 30, 2023.

XI. ANALYSIS OF STATE STREET AID EXPENDITURES AND REVENUES

During the fiscal year ended June 30, 2023 the expenditures for the Highway and Streets was \$ 53,648.22 on Statement of Activities. The revenue from gasoline motor fuel tax and State Transportatio Funds was \$27,648.03.. Expenditures were over revenues by \$ 26,000.19. Expenditures were accounted for by object as required.

SUMMARY:

Revenues	<u>27,648.03</u>
Subtotal	<u>27,648.03</u>
State Street Aid Expenditures	<u>53,648.22</u>
Expenditures Exceeding Available Funds	<u><u>\$ 26,000.19</u></u>

XII. STATEMENT OF CASH FLOWS

For purposes of the Statement of Cash Flows, cash includes cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments with original maturities of three months or less.

XIII. RISK MANAGEMENT ACTIVITIES

The Town is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; employee medical benefits; unemployment compensation; injuries to employees, errors or omissions, and natural disasters. The Town carries insurance to cover these risk activities. See Schedule of Insurance and Bond Coverage, Exhibit J-8.

XIV. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The legal level of Budget Control is at major category. The process of amending the Budget is Mayor recommends changes to City Alderman for approval.

VI. PENSIONS

The Town of Bulls Gap, Tennessee does not provide pension benefits to their employees as of June 30, 2023.

VII LEASES

The Town of Bulls Gap, Tennessee did not have any leases for period July 1, 2022 Through June 30, 2023.

VIII SUBSEQUENT EVENTS

No subsequent events reported.

TOWN OF BULLS GAP, TENNESSEE
 BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2023

	Special Revenue Fund Solid Waste/ Sanitation
ASSETS	
Cash In Bank	<u>\$ 1,469.22</u>
TOTAL ASSETS	<u><u>\$ 1,469.22</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Current Liabilities	
Accounts Payable	\$316.85
Total Current Liabilities	<u>316.85</u>
TOTAL LIABILITIES	<u><u>.316.85</u></u>
FUND BALANCES	
Restricted for Solid Waste/Sanitation	<u>\$ 1,152.37</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,469.22</u></u>

TOWN OF BULLS GAP, TENNESSE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	Special Revenue Fund Solid Waste/ Sanitation
Revenues	
Revenue From Use of Money or Property:	
Interest Earned On Investments	\$ 4.73
Total Revenue From Use of Money or Property	<u>4.73</u>
Total Revenues	<u>4.73</u>
Expenditures	
Public Health and Welfare	
Collection and Disposal	3,589.92
Vehicle Maintenance	974.18
Tires and Tubes	124.74
Gasoline and Fuel	<u>3,895.72</u>
Total Public Health and Welfare	<u>8,584.56</u>
Total Expenditures	<u>8,584.56</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,579.83)</u>
Other Financing Sources	
Transfer From General Fund	<u>7,500.00</u>
Net Changes in Fund Balances	(1,079.83)
Fund Balance, July 1, 2022	<u>2,232.20</u>
Fund Balance, June 30, 2023	<u>\$ 1,152.37</u>

TOWN OF BULLS GAP, TENNESSEE
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE-ACTUAL AND BUDGET
 SOLID WASTE/SANITATION FUND
 For The Year Ended June 30, 2023

	Budgeted Amounts			Variance With Final Budget Favorable (Unfavorable)
	Actual	Original	Final	
<u>Revenues</u>				
Revenue From Use of Money and Property				
Interest Earned on Investments	\$ 4.73	\$ 5.00	\$ 5.00	(\$.27)
Total Revenue From Use of Money and Property	4.73	5.00	5.00	(.27)
Total Revenue	4.73	5.00	5.00	(27)
<u>Expenditures:</u>				
<u>Public Health and Welfare</u>				
Collection and Disposal	3,589.92	2,500.00	4,000.00	410.08
Vehicle Maintenance	974.18	1,000.00	1,000.00	25.82
Gasoline and Fuel	3,895.72	3,500.00	4,000.00	104.28
Tires, Tubes Etc	124.74	250.00	250.00	125.26
Total Public Health and Welfare	8,584.56	7,250.00	9,250.00	665.44
Total Expenditures	8,584.56	7,250.00	9,250.00	665.44
Excess (Deficiency) of Revenues Over Expenditures	(8,579.83)	(7,245.00)	(9,245.00)	665.17
<u>Other Financing Sources</u>				
Transfers From General Fund	7,500.00	7,500.00	7,500.00	.00
Net Change In Fund Balance	(1,079.83)	.00	.00	.00
Fund Balance, July 1, 2022	2,232.20	.00	.00	.00
Fund Balance, June 30, 2023	\$ 1,152.37	\$.00	\$.00	\$.00

SUPPLEMENTARY INFORMATION

Exhibit J-1

TOWN OF BULLS GAP, TENNESSEE
CHANGE IN LONG TERM DEBT BY INDIVIDUAL
ISSUE

AS OF JUNE 30, 2023

<u>DESCRIPTION OF INDEBTEDNESS</u>	<u>ORIGINAL AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF ISSUE</u>	<u>LAST MATURITY DATE</u>	<u>OUTSTANDING 7/1/2022</u>	<u>ISSUED DURING PERIOD</u>	<u>PAID AND/OR MATURED DURING PERIOD</u>	<u>OUTSTANDING 6/30/2023</u>
<u>GOVERNMENTAL ACTIVITIES</u>								
GENERAL OBLIGATION CAPITAL OUTLAY NOTES SERIES 2012	\$250,000.00	3.89%	11/19/2012	11/1/2022	29,000.00	-	29,000.00	00
<u>GENERAL OBLIGATION PAVING CAPITAL OUTLAY NOTES SERIES 2023</u>	325,000.00	5.110%	4/12/2023	4/1/2033	.00	325,000.00	.00	325,000.00
								-
TOTAL					29,000.00	325,000.00	29,000.00	325,000.00
<u>BUSINESS TYPE ACTIVITIES:</u>								
SEWER REVENUE AND TAX BOND SERIES 2018	\$540,000.00	1.75%	3/4/2021	3/4/2061	528,202.53		9,625.42	518,577.11
TOTAL					557,202.53	325,000.00	38,625.42	843,577.11

TOWN OF BULLS GAP, TENNESSEE
 LONG TERM DEBT REQUIREMENTS
 REQUIREMENTS BY FISCAL YEAR
 June 30, 2023

<u>GOVERNMENTAL ACTIVITIES:</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
General Obligation Paving Capital Outlay Notes Series 2023- Repair & Improvement of Roads			
Year Ending June 30,			
2024	26,000.00	16,100.05	42,100.05
2025	27,000.00	15,278.90	42,278.90
2026	28,000.00	13,899.20	41,899.20
2027	30,000.00	12,468.40	42,468.40
2027-2033	<u>214,000.00</u>	<u>39,858.00</u>	<u>253,858.00</u>
Total	325,000.00	97,604.55	422,604.55

BUSINESS TYPE ACTIVITIES

SEWER REVENUE AND TAX BOND
 SERIES 2018

2024	9,795.22	8,996.78	18,792.00
2025	9,968.02	8,823.98	18,792.00
2026	10,143.87	8,648.13	18,792.00
2027	10,322.83	8,469.17	18,792.00
2028-2061	<u>478,347.17</u>	<u>155,160.69</u>	<u>633,507.86</u>
TOTAL	\$ 518,577.11	\$ 190,198.75	\$ 708,775.86

Exhibit J-3

TOWN OF BULLS GAP, TENNESSEE
 SCHEDULE OF SALARIES AND OFFICIAL BONDS OF
 PRINCIPAL OFFICIALS
 June 30, 2023

<u>Name</u>	<u>Office</u>	<u>Annual Salary</u>	<u>Bond</u>
Michael Solomon, CMFO	City Administrator	\$43,922.15	\$ 150,000
Jimmy Sexton	Vice Mayor	3,600.00	.00
Stacy Hayes-Mayor	Mayor	2,800.00	
Betsy Shipley	Mayor	2,000.00	.00
Susan Williams	Alderman	3,600.00	.00
Gaylon Williams	Alderman	3,600.00	.00
Glen James Snelson Jr	Alderman	3,600.00	.00

TOWN OF BULLS GAP, TENNESSEE
UNCOLLECTED DELINQUENT TAXES FILED WITH CLERK
AND MASTER
For Year Ended June 30, 2023

<u>YEAR</u>	<u>BALANCE July 1, 2021</u>	<u>ADJ FILED</u>	<u>ADJUSTMENTS</u>	<u>COLLECTED</u>	<u>BALANCE June 30, 2023</u>
2016	306.00	.00	.00	.00	306.00
2017	696.00	.00	.00	00	696.00
2018	761.00	.00	.00	.00	761.00
2019	924.00	.00	.00	7.00	917.00
2020	1,845.00	.00	.00	614.00	1,231.00
2021	.00	2,101.00	.00	.00	2,101.00
TOTAL	<u>\$ 4,532.00</u>	<u>2,101.00</u>	<u>.00</u>	<u>\$ 621.00</u>	<u>\$ 6,012.00</u>

TOWN OF BULLS GAP, TENNESSEE
 SCHEDULE OF PROPERTY TAX RECEIVABLE
 For Year Ended June 30, 2023

<u>YEAR</u>	<u>BALANCE July 1, 2022</u>	<u>LEVY</u>	<u>ADJUSTMENTS</u>	<u>COLLECTED</u>	<u>BALANCE June 30, 2023</u>
2016	306.00	.00	.00	.00	306.00
2017	696.00	.00	.00	.00	696.00
2018	761.00	.00	.00	.00	761.00
2019	924.00	.00	.00	7.00	917.00
2020	1,845.00	.00	.00	614.00	1,231.00
2021	3,948.70	.00	.00	1,847.70	2,101.00
2022	229,491.00	.00	(65.00)	225,106.00	4,385.00
2023	.00	251,620.00	.00	.00	251,620.00
TOTAL	<u>\$237,971.70</u>	<u>\$251,620.00</u>	<u>(\$ 65.00)</u>	<u>\$227,574.70</u>	<u>\$262,017.00</u>

Exhibit J-6

TOWN OF BULLS GAP, TENNESSEE
 TAX RATES AND ASSESSMENTS
 LAST TEN FISCAL YEARS
 June 30, 2023

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Fund Tax Rate	\$.66	\$.66	\$.66	\$.68	\$0.70	\$0.70	\$0.70	\$0.72	\$0.66	\$ 0.66
Assessed Valuation:										
Real & Personal	22,480,790	22,194,677	22,221,604	22,123,508	25,273,700	25,273,765	25,071,719	25,879,302	28,951,696	31,318,477
Utilities	2,822,449	3,001,728	2,991,974	2,876,822	2,748,096	2,745,166	2,817,962	2,791,375	3,305,177	3,452,472
Total Assessed Valuation	<u>\$25,303,419</u>	<u>\$24,196,405</u>	<u>\$25,213,578</u>	<u>\$25,000,330</u>	<u>\$28,021,796</u>	<u>\$28,018,931</u>	<u>\$28,889,681</u>	<u>\$28,670,677</u>	<u>\$32,256,873</u>	<u>\$34,770,949</u>

Exhibit J-7

TOWN OF BULLS GAP, TENNESSEE
 SCHEDULE OF INSURANCE AND BOND COVERAGE
 June 30, 2023

<u>Carrier</u>	<u>Policy Number</u>	<u>Expiration Date</u>	<u>Limitations</u>
PUBLIC ENTITY PTRS	PPR-1257-24	3/10/2024	\$2,075,245 Maximum \$ 1,000 deductibles Bldgs & Personal Property
PUBLIC ENTITY PTRS	PWC-0534-24	7/01/2024	Workers Compensation \$1,000,000
PUBLIC ENTITY PTRS	PLI-0207-24	3/10/2024	\$1,000,000 General Liability
PUBLIC ENTITY PTRS	PLI-0207-24	3/10/2024	\$1,000,000 Errors & Omissions Liability
PUBLIC ENTITY PTRS	PLI-0207-24	3/10/2024	\$ 300,000/700,000/ 100,000/1,000,000/500/000 Automobile Liability
PUBLIC ENTITY PTRS	PPR-1257-24	3/10/2024	\$ 150,000/\$1000 Deductible Employee Dishonesty Bond

TOWN OF BULLS GAP, TN
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2023

GRANTOR	ASSISTANCE LISTING NUMBER	BEGINNING BALANCE	CASH RECEIPTS	EXPENDITURES	ENDING BALANCE
DIRECT –TENN APPROPRIATION GRANT	N/A	\$68,712.00	\$.00	\$68,712.00	\$.00
US DEPARTMENT OF TREASURY/ TENNESSEE DEPARTMENT OF FINANCE AMERICAN RECOVERY RESCUE GRANT	21-027	.00	106,966.20	106,966.20	. 00

NOTE 1-BASIS OF PRESENTATION

This schedule summarizes the expenditures of Town of Bulls Gap, Tennessee under programs of the federal and state governments for the year ended June 30, 2023. The schedule is presented using the accrual basis of accounting. Because this schedule presents only a selected portion of the operations of the Town, it is not intended and does not present the net position or changes in net position of the town.

OTHER INFORMATION

**TOWN OF BULLS GAP, TENNESSEE
PRINCIPAL OFFICIALS
June 30, 2023**

NAME	OFFICE
Stacy Hayes	Mayor
Jimmy Sexton	Alderman
Jimmy Riley	Alderman
Gaylon Williams	Alderman
Susan Williams	Alderman
Michael Solomon	City Administrator-CMFO
Dillon Parker	City Attorney

INTERNAL CONTROL AND COMPLIANCE

Exhibit 1

TOWN OF BULLS GAP, TENNESSEE
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2023

Government Auditing Standards require auditors to report the status of prior year audit findings. There were no findings reported for the prior year.

TOWN OF BULLS GAP, TENNESSEE
SCHEDULE OF INTERNAL CONTROL FINDINGS
AND RECOMMENDATIONS
For The Fiscal Year Ended June 30, 2023

I. SUMMARY OF AUDITOR'S RESULTS

A. An unmodified opinion was issued on the basic financial statements of Town of Bulls Gap Tennessee for the period ending June 30, 2023.

B. Internal control over financial reporting:

Material weakness(es) identified? None Reported

Significant deficiency(ies) identified
That are not considered to be
Material weakness(es) None Reported

II. SUMMARY OF FINDINGS REPORTED AT THE FINANCIAL STATEMENT LEVEL.

Finding: No audit findings.

DALE C. ISABELL
Certified Public Accountant
253 Short Street
Clinton, Tennessee 37716

MAILING ADDRESS
253 Short Street
Clinton, TN 37717

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ISABELLCPA@COMCAST.NET

**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**

December 31, 2023

To the Town of Bulls Gap Mayor and
Board of Alderman
Bulls Gap, Tennessee

To the Mayor and Board of Alderman:

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bulls Gap, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Bulls Gap, Tennessee basic financial statements and have issued my report thereon dated December 31, 2023.

Internal Control Over Financial Reporting

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

A deficiency in internal control exist 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 Town of Bulls Gap, Tennessee 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 may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Bulls Gap, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Town of Bulls Gap, Tennessee'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 Town of Bulls Gap, Tennessee internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dale C. Isabell, CPA
December 31, 2023