

TOWN OF CUMBERLAND CITY, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2023

TOWN OF CUMBERLAND CITY, TENNESSEE

Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Officials of the Town of Cumberland City, Tennessee	I
FINANCIAL SECTION:	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of Balance Sheet to Statement of Net Position of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Fund	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance Of Governmental Funds to the Statement of Activities	17
Statement of Net Position - Enterprise Fund	18
Statement of Revenues, Expenses and Changes in Fund Net Position- Enterprise Fund	19
Statement of Cash Flows - Enterprise Fund	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) And Actual -	
General Fund	21-23
State Street Aid Fund	24
Memorial Cemetery Fund	25
City Cemetery Fund	26
Drug Fund	27
Notes to Financial Statements	28-44

TOWN OF CUMBERLAND CITY, TENNESSEE

Table of Contents, Continued

	<u>Page Number</u>
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Changes in Net Pension Liability (Asset)	46
Schedule of Contributions to the Employee Pension Plan	47
SUPPLEMENTAL INFORMATION	
Capital Assets Used in the Operation of the Governmental Funds:	
Schedule of Changes in Capital Assets - By Type	49
Schedule of Capital Assets by Function and Activity	50
Schedule of Cash and Cash Equivalents and Certificate of Deposits - All Funds . .	51
Schedule of Changes in Property Taxes Receivable	52
Schedule of Debt Service Requirements - Enterprise Fund	53
Schedule of Changes in Long-term Debt by Individual Issue	54
Schedule of Utility Rates and Information	55
Schedule of State and Federal Financial Assistance	56
COMPLIANCE AND INTERNAL CONTROL:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58-59
Schedule of Findings and Responses	60
Schedule of Disposition of Prior Year Comments	61
Management's Corrective Action Plan	62

INTRODUCTORY SECTION

TOWN OF CUMBERLAND CITY, TENNESSEE

Officials of the Town of Cumberland City, Tennessee

June 30, 2023

Name

Title

Elected Officials:

Gary Vaughn

Mayor

Linda Gunson

Alderman

Eric Milliken

Alderman

Wanda Gilliam

Alderman

Alex Short

Alderman

Management:

Kristane Mathis

Town Recorder and CMFO

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

Independent Auditor's Report

Mayor and Aldermen of the
Town of Cumberland City, Tennessee
Cumberland City, Tennessee

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, business-type activities and each major funds of the Town of Cumberland City, Tennessee (the "Town") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major funds of the Town as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund, State Street Aid Fund, Memorial Cemetery Fund, City Cemetery Fund and the Drug Fund for the year then ended, and cash flows thereof 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 the 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 and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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

- ❖ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ❖ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ❖ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- ❖ Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- ❖ Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information, which includes the Management's Discussion and Analysis and the Schedule of Changes in Net Pension Liability (Asset) and the Schedule of Contributions to the Employee Pension Plan, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information – Introductory Section

Management is responsible for the Introductory Section included in the annual report. The Introductory Section, as listed in the table of contents, does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements does not cover the Introductory Section, and I do not express an opinion or any other assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the Introductory Section and consider whether a material inconsistency exists between the Introductory Section and basic financial statements, or the Introductory Section otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the Introductory Section 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 October 27, 2023, on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

Joh R. Poole, CPA

October 27, 2023

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

TOWN OF CUMBERLAND CITY, TENNESSEE

Management's Discussion and Analysis

As management of the Town of Cumberland City, Tennessee (the Town) we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Town. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the Town of Cumberland City exceeded its liabilities at the close of the most recent fiscal year by \$2,995,303. Of this amount, \$1,289,930 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net position increased by \$200,129 primarily due to a growing local economy leading to increased property tax and interest income revenues. Revenues were \$15,697 higher than previous year amounts. The Town's expenses decreased by \$35,666 from the prior year.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$692,011, an increase of \$88,358 in comparison to the prior year. The increase is related to increased user fees and tax revenues in the current year. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$593,250 or 113% of the total general fund expenditures.

Overview of the Financial Statements:

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

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

The Statement of Net Position presents information on all the 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 government'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 tax and earned but unused vacation leave).

The Statement of Cash Flows presents the flow of cash inflows/outflows for the enterprise fund during the fiscal year.

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 of Cumberland City include general government, personnel, finance, parks, codes, planning, police, fire, disposal service, program service, streets and public works. The business-type activities of the Town include water and sewer operations. The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The Town of Cumberland City, 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 enterprise funds.

Governmental Funds. Governmental Funds are funds 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 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 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 five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, State Street Aid Fund, City Cemetery Fund, Memorial Cemetery Fund and Drug Fund all of which are considered to be major funds.

The Town of Cumberland City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Enterprise Funds. The Town of Cumberland City maintains only one type of enterprise fund. It uses an enterprise fund to report the same functions presented in the business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer operations. The basic enterprise fund financial statements can be found on pages 18-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-44 of this report.

Financial Analysis of the Financial Statements --Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Cumberland City, assets exceeded liabilities by \$2,995,303 at the close of the most recent fiscal year.

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

Financial Analysis of the Financial Statements - Town of Cumberland City's Net Position - 2023

	Governmental Activities	Business-type Activities
Current and other assets	\$ 1,236,379	\$ 925,167
Capital assets	<u>448,428</u>	<u>902,071</u>
Total assets	1,684,807	1,827,238
Deferred outflows:	77,007	13,590
Long-term liabilities outstanding	-	166,003
Other liabilities	<u>28,970</u>	<u>48,666</u>
Total liabilities	28,970	214,669
Deferred inflows:	350,409	13,291
Net position:		
Net investment in capital assets	448,428	736,068
Restricted	255,046	265,831
Unrestricted	<u>678,961</u>	<u>610,969</u>
Total net position	\$ 1,382,435	\$1,612,868

Financial Analysis of the Financial Statements -Town of Cumberland City's Net Position - 2022

	Governmental Activities	Business-type Activities
Current and other assets	\$ 1,193,053	\$ 882,251
Capital assets	<u>422,967</u>	<u>926,767</u>
Total assets	1,616,020	1,809,018
Deferred outflows:	81,655	14,410
Long-term liabilities outstanding	0	170,811
Other liabilities	<u>33,598</u>	<u>53,931</u>
Total liabilities	33,598	224,742
Deferred inflows:	434,882	32,707
Net position:		
Net investment in capital assets	422,967	755,956
Restricted	245,850	161,891
Unrestricted	<u>560,378</u>	<u>648,132</u>
Total net position	\$ 1,229,195	\$ 1,565,979

At the end to the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Comparison between revenues and expenses between years.

	<u>2023</u>	<u>2022</u>	<u>Change Between Years</u>
Revenues:			
Charges for services	270,123	249,590	20,533
Operating grants and contributions	12,661	58,066	(45,405)
Capital grants and contributions	0	0	0
Property taxes	326,564	299,618	26,946
Sales taxes	188,931	197,813	(8,882)
Locally assessed taxes	86,549	89,439	(2,890)
Other revenues	30,403	5,008	25,395
Total Revenues	<u>\$915,231</u>	<u>\$899,534</u>	<u>\$15,697</u>
Expenses:			
Current:			
General government	247,733	253,346	(5,613)
Police department	152,185	160,655	(8,470)
Fire department	12,015	10,016	1,999
Parks	0	42	(42)
Cemetery	5,070	4,182	888
Highway and streets	96,700	102,524	(5,824)
Water and Sewer	201,399	220,003	(18,604)
Total Expenses:	<u>\$715,102</u>	<u>\$750,768</u>	<u>(\$35,666)</u>
Increases in Net Position	<u>200,129</u>	<u>148,766</u>	<u>51,363</u>

The assets of the Town of Cumberland City exceeded its liabilities at the close of the most recent fiscal year by \$2,995,303. Of this amount, \$1,289,930 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net position increased by \$200,129 primarily due to a growing local economy leading to increased property tax and interest income revenues. Revenues were \$15,697 higher than previous year amounts. The Town's expenses decreased by \$35,666 from the prior year.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$692,011, an increase of \$88,358 in comparison to the prior year.

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

General Fund Budgetary Highlights

The Town maintained all of its annual appropriations. See pages 21-27 for further analysis.

Capital Assets

The Town of Cumberland City’s investment in capital assets from its governmental activities is \$448,428 and business-type activities at June 30, 2023, amounts to \$902,071 (net of accumulated depreciation). This investment in capital assets is in land, buildings, improvements, machinery and equipment, park facilities, roads, highways and bridges and the utility system.

Town of Cumberland City’s Capital Assets - 2023

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Land	\$ 9,270	\$ 0
Buildings and Improvements	236,542	2,518,517
Infrastructure	334,409	0
Machinery and Equipment	<u>250,776</u>	<u>20,993</u>
Less accumulated depreciation	(382,569)	(1,637,439)
Net Capital Assets	\$ <u>448,428</u>	\$ <u>902,071</u>

Town of Cumberland City’s Capital Assets - 2022

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Land	\$ 9,270	\$ 0
Buildings and Improvements	236,542	2,497,944
Infrastructure	334,409	0
Machinery and Equipment	<u>336,723</u>	<u>20,993</u>
Less accumulated depreciation	(493,977)	(1,592,170)
Net Capital Assets	\$ <u>422,967</u>	\$ <u>926,767</u>

Long-Term Debt

At the end of the current year, the Town of Cumberland City has utility debt outstanding of \$166,003. The debt is backed by the full faith and credit of the government and the remainder of the debt of the Town represents bonds secured by both the taxing power of the Town and specific revenue sources (i.e., revenue and tax bonds) of the enterprise fund. Additional information on the Town of Cumberland City's debt can be found in the notes to the financial statements section of this report.

Economic Factors and Next Year's Budget and Rates

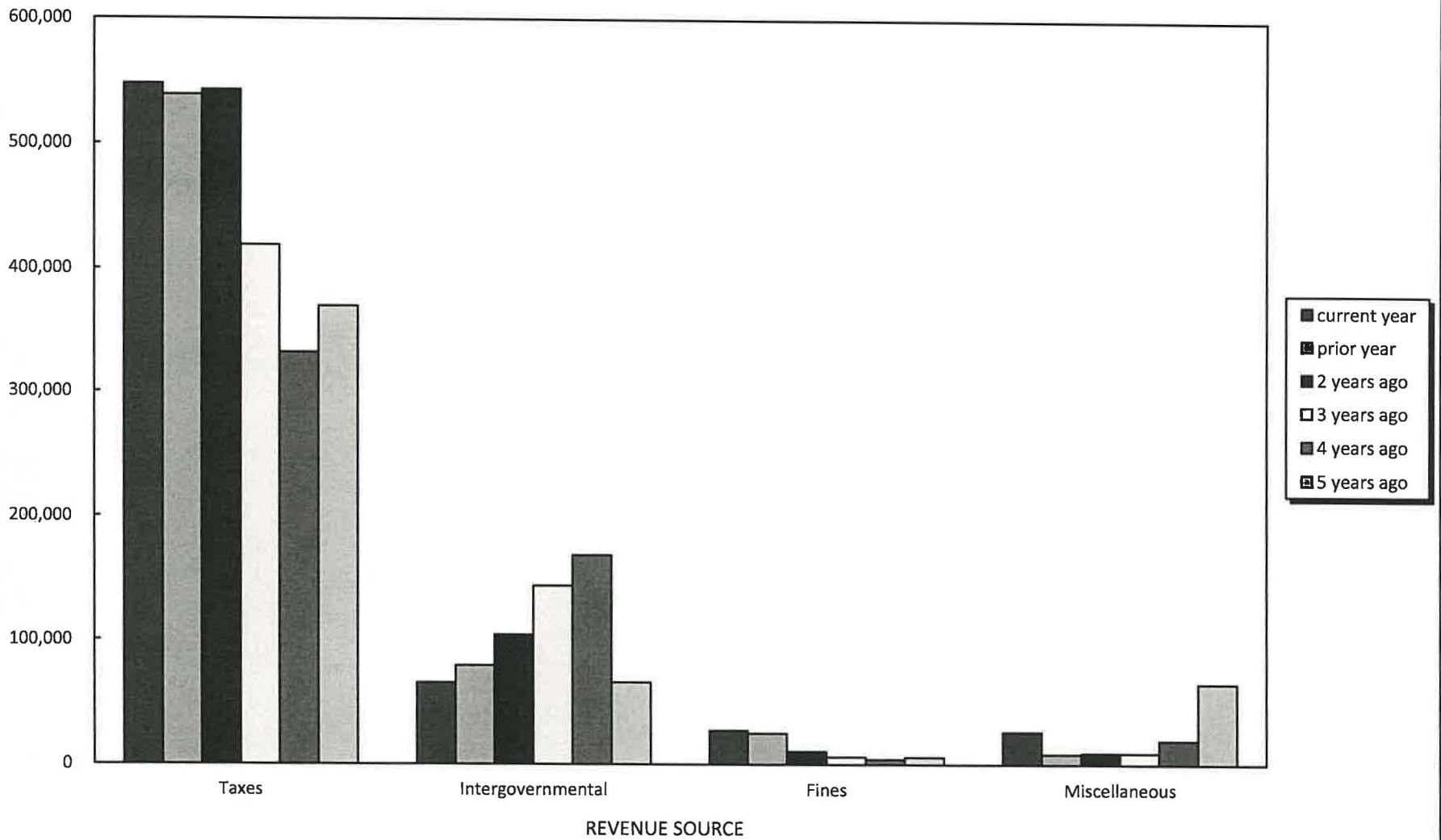
In the 2023-2024 budget, General fund revenues are budgeted to increase by from the 2022-2023 budget year primarily due to increased activity in the local economy. The Town's budget should benefit by an expanding commercial and retail base producing increased local sales tax receipts.

Requests for Information

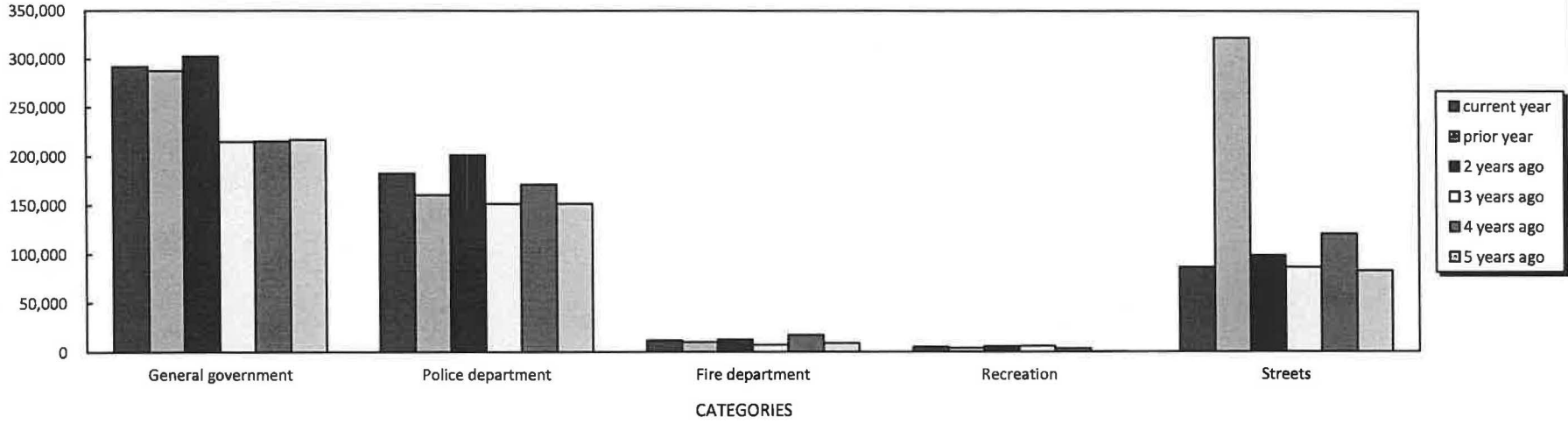
This financial report is designed to provide a general overview of the Town of Cumberland City, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Kristane Mathis
Town of Cumberland City

**TOWN OF CUMBERLAND CITY, TENNESSEE
GOVERNMENTAL FUND REVENUES**



**TOWN OF CUMBERLAND CITY, TENNESSEE
GOVERNMENTAL FUND EXPENDITURES**



BASIC FINANCIAL STATEMENTS

TOWN OF CUMBERLAND CITY, TENNESSEE

Statement of Net Position

June 30, 2023

<u>Assets</u>	Governmental Activities	Business Activities	Total
Cash and cash equivalents	663,748	591,165	1,254,913
Certificate of deposit	103,428	275,388	378,816
Receivables	226,514	15,787	242,301
Net Pension Asset	242,689	42,827	285,516
Capital assets not being depreciated	9,270	0	9,270
Capital assets, net of accumulated depreciation	439,158	902,071	1,341,229
Total Assets	<u>1,684,807</u>	<u>1,827,238</u>	<u>3,512,045</u>
Deferred Outflows:			
Deferred outflow of resources - pension	77,007	13,590	90,597
Total Deferred Outflows	<u>77,007</u>	<u>13,590</u>	<u>90,597</u>
<u>Liabilities, Deferred Inflows, and Net Position</u>			
Liabilities:			
Accounts payable	16,772	6,736	23,508
Accrued expenses	12,198	0	12,198
Customer deposits	0	41,930	41,930
Long-term liabilities:			
Due within one year	0	4,928	4,928
Due in more than one year	0	161,075	161,075
Total Liabilities	<u>28,970</u>	<u>214,669</u>	<u>243,639</u>
Deferred Inflows:			
Deferred inflow of resources - grant receipts	91,091	0	91,091
Deferred inflow of resources - property taxes	184,000	0	184,000
Deferred inflow of resources - pension	75,318	13,291	88,609
Total Deferred Inflows	<u>350,409</u>	<u>13,291</u>	<u>363,700</u>
Net Position:			
Net investment in capital assets	448,428	736,068	1,184,496
Restricted - Debt service	0	236,295	236,295
Restricted - Drug fund	41,482	0	41,482
Restricted - City Cemetery	24,680	0	24,680
Restricted - Memorial Cemetery	10,435	0	10,435
Restricted - State Street aid	11,078	0	11,078
Restricted - Pension	167,371	29,536	196,907
Unrestricted	678,961	610,969	1,289,930
Total Net Position	<u>1,382,435</u>	<u>1,612,868</u>	<u>2,995,303</u>

See accompanying notes to financial statements.

TOWN OF CUMBERLAND CITY, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2023

Function/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Government Activities:							
General government	247,733	25,370	400	0	(221,963)	0	(221,963)
Police department	152,185	1,971	0	0	(150,214)	0	(150,214)
Fire department	12,015	0	0	0	(12,015)	0	(12,015)
Parks	0	0	0	0	0	0	0
Cemetery	5,070	0	987	0	(4,083)	0	(4,083)
Highways and streets	96,700	0	11,274	0	(85,426)	0	(85,426)
Total Governmental Activities	<u>513,703</u>	<u>27,341</u>	<u>12,661</u>	<u>0</u>	<u>(473,701)</u>	<u>0</u>	<u>(473,701)</u>
Business - type Activities:							
Water and Sewer	<u>201,399</u>	<u>242,782</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>41,383</u>	<u>41,383</u>
Total Business Type Activities	<u>201,399</u>	<u>242,782</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>41,383</u>	<u>41,383</u>
Total	<u>715,102</u>	<u>270,123</u>	<u>12,661</u>	<u>0</u>	<u>(473,701)</u>	<u>41,383</u>	<u>(432,318)</u>
General Revenues:							
Property taxes					188,999	0	188,999
Public utility tax					137,565	0	137,565
Sales taxes					188,931	0	188,931
Beer taxes					40,739	0	40,739
Business taxes					45,810	0	45,810
Interest income					8,865	5,506	14,371
Other					16,032	0	16,032
Total general revenues					<u>626,941</u>	<u>5,506</u>	<u>632,447</u>
Changes in Net Position					<u>153,240</u>	<u>46,889</u>	<u>200,129</u>
Net Position - beginning of year					1,229,195	1,565,979	2,795,174
Net Position - ending of year					<u>1,382,435</u>	<u>1,612,868</u>	<u>2,995,303</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

TOWN OF CUMBERLAND CITY, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2023

<u>Assets</u>	General Fund	State Street Aid Fund	City Cemetery Fund	Memorial Cemetery Fund	Drug Fund	Total Governmental Funds
Cash and cash equivalents	\$580,725	\$10,226	\$20,880	\$10,435	\$41,482	\$663,748
Certificate of deposits	99,628	0	3,800	0	0	103,428
Property tax receivable	184,000	0	0	0	0	184,000
Accounts receivable - other governments	40,626	1,888	0	0	0	42,514
Total Assets	\$904,979	\$12,114	\$24,680	\$10,435	\$41,482	\$993,690
<u>Liabilities, Deferred Inflows and Fund Balance</u>						
Liabilities:						
Accounts payable	\$15,736	\$1,036	\$0	\$0	\$0	\$16,772
Total Liabilities	15,736	1,036	0	0	0	16,772
Deferred Inflow of Resources:						
Deferred grant receipts	91,091	0	0	0	0	91,091
Deferred current property taxes	184,000	0	0	0	0	184,000
Deferred delinquent property taxes	9,816	0	0	0	0	9,816
Total Deferred Inflow of Resources	284,907	0	0	0	0	284,907
Fund balance:						
Unassigned	593,250	0	0	0	0	593,250
Assigned -Park	11,086	0	0	0	0	11,086
Restricted	0	11,078	24,680	10,435	41,482	87,675
Total Fund Balance	604,336	11,078	24,680	10,435	41,482	692,011
Total Liabilities, Deferred Inflows and Fund Balance	\$904,979	\$12,114	\$24,680	\$10,435	\$41,482	\$993,690

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

TOWN OF CUMBERLAND CITY, TENNESSEE

Reconciliation of the Balance Sheet to the Statement of Net Position
of Governmental Activities

June 30, 2023

Amounts reported for fund balance - total governmental funds	\$ 692,011
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	448,428
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds	9,816
Pension related accounts - governmental funds to not record these post-benefit obligations	
Net pension asset	242,689
Deferred outflow - pension	77,007
Deferred inflow - pension	(75,318)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds	
Accrued employee leave time	<u>(12,198)</u>
Net Position of governmental activities	\$ <u>1,382,435</u>

See accompanying notes to financial statements.

TOWN OF CUMBERLAND CITY, TENNESSEE

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2023

	General Fund	State Street Aid Fund	Memorial Cemetery Fund	City Cemetery Fund	Drug Fund	Total Governmental Funds
Revenues:						
Taxes	547,756	0	0	0	0	547,756
Intergovernmental	54,930	10,632	0	0	0	65,562
Fines and fees	1,639	0	0	0	332	1,971
Permits	25,370	0	0	0	0	25,370
Miscellaneous	8,202	97	892	1,171	15,922	26,284
Total Revenues	<u>\$637,897</u>	<u>\$10,729</u>	<u>\$892</u>	<u>\$1,171</u>	<u>\$16,254</u>	<u>\$666,943</u>
Expenditures:						
Current:						
General government	267,376	0	0	0	0	267,376
Police department	147,300	0	0	0	0	147,300
Fire department	12,015	0	0	0	0	12,015
Parks	0	0	0	0	0	0
Cemetery	0	0	0	5,070	0	5,070
Highway and streets	74,357	12,599	0	0	0	86,956
Capital outlay:						
General government	24,569	0	0	0	0	24,569
Drug fund	0	0	0	0	35,299	35,299
Total Expenditures	<u>\$525,617</u>	<u>\$12,599</u>	<u>\$0</u>	<u>\$5,070</u>	<u>\$35,299</u>	<u>\$578,585</u>
Excess (deficiency) of revenues over expenditures	<u>112,280</u>	<u>(1,870)</u>	<u>892</u>	<u>(3,899)</u>	<u>(19,045)</u>	<u>88,358</u>
Fund Balance, Beginning of year	492,056	12,948	9,543	28,579	60,527	603,653
Fund Balance, End of Year	<u>\$604,336</u>	<u>\$11,078</u>	<u>\$10,435</u>	<u>\$24,680</u>	<u>\$41,482</u>	<u>\$692,011</u>

See accompanying notes to financial statements.

TOWN OF CUMBERLAND CITY, TENNESSEE

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds:	\$	88,358
Amounts reported for governmental activities in the statement of net position are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Acquisition of capital assets		59,868
Depreciation expense		(34,407)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		170
Expenses reported in the statement of activities that affect accrued liabilities that are not reported as expenditures in the governmental funds		
Change in pension plan accrual		28,470
Change in employee vacation accrual		<u>10,781</u>
Change in Net Position of governmental activities	\$	<u><u>153,240</u></u>

See accompanying notes to financial statements.

TOWN OF CUMBERLAND CITY, TENNESSEE

Statement of Net Position

Enterprise Fund

June 30, 2023

Assets

Current Assets:

Cash and cash equivalents	\$591,165
Certificate of deposit	275,388
Customer accounts receivable, net of allowance of \$2,879	15,787
Total Current Assets	<u>882,340</u>

Capital Assets:

Utility plant in service	2,539,510
Less accumulated depreciation	(1,637,439)
Total Capital Assets, Net	<u>902,071</u>

Net Pension Asset	<u>42,827</u>
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Total Assets	<u>\$1,827,238</u>
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Deferred Outflows - pension	<u>13,590</u>
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Liabilities

Current Liabilities (payable from current assets):

Accounts payable	\$6,736
Current maturities - long-term debt	4,928
Total Current Liabilities (payable from current assets)	<u>11,664</u>

Customer deposits	<u>41,930</u>
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Long-Term Debt	<u>161,075</u>
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Total Liabilities	<u>\$214,669</u>
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Deferred Inflows - pension	<u>13,291</u>
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Net Position:

Net investment in capital assets	736,068
Restricted - Debt service	236,295
Restricted - Pension	29,536
Unrestricted	610,969

Total Net Position	<u>\$1,612,868</u>
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The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF CUMBERLAND CITY, TENNESSEE

**Statement of Revenues, Expenses
and Changes in Net Position**

Enterprise Fund

For the Year Ended June 30, 2023

Operating Revenues:	
Metered sales	\$241,982
Tap fees	800
Total Operating Revenues	<u>242,782</u>
Operating Expenses:	
Wages	19,440
Employee benefits	6,027
Water purchases	56,437
Office expenses	2,700
Repair and maintenance	2,252
Supplies	16,639
Vehicle expenses	463
Utilities	14,439
Professional services	19,605
Insurance	10,540
Depreciation	45,269
Miscellaneous	0
Total Operating Expenses	<u>193,811</u>
Operating income (loss)	<u>48,971</u>
Nonoperating Revenues (Expenses):	
Interest expense	(7,588)
Interest income	5,506
Total Nonoperating Revenues (Expenses)	<u>(2,082)</u>
Net Change in Net Position	46,889
Net Position, July 1, 2022	<u>1,565,979</u>
Net Position, June 30, 2023	<u><u>\$1,612,868</u></u>

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

TOWN OF CUMBERLAND CITY, TENNESSEE

Statement of Cash Flows

Enterprise Fund Type

Water and Sewer Fund

For the Year Ended June 30, 2023

Cash Flows from Operating Activities:	
Cash received from customers	248,394
Cash paid to suppliers	(112,792)
Cash paid to employees	(25,467)
Net Cash Provided (Used) by Operating Activities	<u>110,135</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(20,573)
Interest paid	(7,588)
Repayment of debt	(4,808)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(32,969)</u>
Cash Flows from Investing Activities:	
Redemption (purchase) of certificate of deposit	(76)
Interest received	5,506
Net Cash Flows Provided (Used) from Investing Activities:	<u>5,430</u>
Net Change in Cash	82,596
Cash and Cash Equivalents, July 1, 2022	<u>508,569</u>
Cash and Cash Equivalents, June 30, 2023	<u>591,165</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	48,971
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	45,269
Change in assets (increase) decrease:	
Accounts receivable	5,612
Inventory	20,573
Deferred outflow	820
Net pension asset	13,571
Change in liabilities increase (decrease):	
Accounts payable	(10,515)
Customer deposits	5,250
Deferred inflow	(19,416)
Net Cash Provided (Used) by Operating Activities	<u>110,135</u>

See accompanying notes to financial statements.

TOWN OF CUMBERLAND CITY, TENNESSEE

Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual

General Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property taxes	\$190,648	\$190,648	\$188,500	(2,148)
Public utility taxes	114,000	114,000	120,731	6,731
Penalty and interest	250	250	499	249
Local sales tax	175,000	175,000	151,616	(23,384)
Local beer tax	39,300	39,300	40,600	1,300
Local business taxes	46,000	46,000	45,810	(190)
Total Taxes	<u>565,198</u>	<u>565,198</u>	<u>547,756</u>	<u>(17,442)</u>
Intergovernmental:				
In lieu of taxes	16,970	16,970	16,834	(136)
State supplement	1,600	1,600	0	(1,600)
State sales tax	38,600	38,600	37,315	(1,285)
State income and excise tax	250	250	0	(250)
State special petroleum tax	560	560	642	82
State beer tax	280	280	139	(141)
Total Intergovernmental Revenue	<u>58,260</u>	<u>58,260</u>	<u>54,930</u>	<u>(3,330)</u>
City court fines	<u>1,500</u>	<u>1,500</u>	<u>1,639</u>	<u>139</u>
Building permits	<u>0</u>	<u>0</u>	<u>25,370</u>	<u>25,370</u>
Miscellaneous:				
Interest income	140	140	7,570	7,430
Donations	1,000	1,000	400	(600)
Insurance recoveries	250	250	232	(18)
Miscellaneous	410	410	0	(410)
Total Miscellaneous	<u>1,800</u>	<u>1,800</u>	<u>8,202</u>	<u>6,402</u>
Total Revenues	<u>626,758</u>	<u>626,758</u>	<u>637,897</u>	<u>11,139</u>

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

TOWN OF CUMBERLAND CITY, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

General Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
General Government:				
Current:				
Personnel costs	\$125,900	\$125,900	\$93,796	32,104
Employee benefits	53,550	53,550	102,022	(48,472)
Dues and donations	3,500	3,500	923	2,577
Supplies	9,600	9,600	12,456	(2,856)
Utilities	12,000	12,000	10,158	1,842
Professional services	22,250	22,250	21,124	1,126
Training and travel	4,500	4,500	1,896	2,604
Fire hydrants	20,000	20,000	20,000	0
Insurance	5,200	5,200	5,001	199
Miscellaneous	8,500	8,500	0	8,500
	<u>265,000</u>	<u>265,000</u>	<u>267,376</u>	<u>(2,376)</u>
Capital outlay	25,000	25,000	24,569	431
Total General Government	<u>290,000</u>	<u>290,000</u>	<u>291,945</u>	<u>(1,945)</u>
Police department:				
Personnel costs	100,600	100,600	105,372	(4,772)
Employee benefits	44,950	44,950	10,878	34,072
Contractual services	3,000	3,000	0	3,000
Professional services	2,400	2,400	1,918	482
Supplies	12,500	12,500	12,191	309
Training and travel	2,000	2,000	893	1,107
Vehicle expenses	13,000	13,000	7,724	5,276
Insurance	5,900	5,900	6,231	(331)
Miscellaneous	3,000	3,000	2,093	907
	<u>187,350</u>	<u>187,350</u>	<u>147,300</u>	<u>40,050</u>
Capital outlay	5,000	5,000	0	5,000
Total Police department	<u>192,350</u>	<u>192,350</u>	<u>147,300</u>	<u>45,050</u>

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

TOWN OF CUMBERLAND CITY, TENNESSEE

Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued

General Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:				
Fire department:				
Utilities	\$8,000	\$8,000	\$11,219	(3,219)
Maintenance and supplies	6,000	6,000	796	5,204
Insurance	0	0	0	0
	<u>14,000</u>	<u>14,000</u>	<u>12,015</u>	<u>1,985</u>
Capital outlay	0	0	0	0
Total Fire department	<u>14,000</u>	<u>14,000</u>	<u>12,015</u>	<u>1,985</u>
Streets:				
Personnel costs	49,800	49,800	45,334	4,466
Employee benefits	27,850	27,850	4,970	22,880
Supplies	6,475	6,475	8,144	(1,669)
Vehicle costs	8,000	8,000	9,171	(1,171)
Maintenance and repair	5,000	5,000	3,737	1,263
Insurance	3,500	3,500	3,001	499
Miscellaneous	4,200	4,200	0	4,200
	<u>104,825</u>	<u>104,825</u>	<u>74,357</u>	<u>30,468</u>
Capital outlay	0	0	0	0
Total Streets	<u>104,825</u>	<u>104,825</u>	<u>74,357</u>	<u>30,468</u>
Parks:				
Supplies and maintenance	11,000	11,000	0	11,000
	<u>11,000</u>	<u>11,000</u>	<u>0</u>	<u>11,000</u>
Capital outlay	0	0	0	0
Total Park	<u>11,000</u>	<u>11,000</u>	<u>0</u>	<u>11,000</u>
Total Expenditures	<u>612,175</u>	<u>612,175</u>	<u>525,617</u>	<u>86,558</u>
Excess (deficiency) of Revenues over Expenditures	14,583	14,583	112,280	97,697
Operating transfer (source) use	(5,000)	(5,000)	0	5,000
Net change in fund balance	<u>9,583</u>	<u>9,583</u>	<u>112,280</u>	<u>102,697</u>
Fund Balance, July 1, 2022	492,056	492,056	492,056	0
Fund Balance, June 30, 2023	<u>501,639</u>	<u>501,639</u>	<u>604,336</u>	<u>102,697</u>

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

TOWN OF CUMBERLAND CITY, TENNESSEE

Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

State Street Aid Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental:				
Gasoline .03 tax	1,420	1,420	1,574	154
Gasoline 1989 tax	755	755	852	97
Gasoline 2017 tax	2,680	2,680	2,750	70
Gasoline and motor fuel	5,145	5,145	5,456	311
Interest	15	15	97	82
Total Revenues	<u>10,015</u>	<u>10,015</u>	<u>10,729</u>	<u>714</u>
Expenditures:				
Streets:				
Street lighting	14,000	14,000	12,599	1,401
Repair and maintenance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>14,000</u>	<u>14,000</u>	<u>12,599</u>	<u>1,401</u>
Excess (deficiency) of revenues over expenditures	(3,985)	(3,985)	(1,870)	2,115
Operating transfer	<u>5,000</u>	<u>5,000</u>	<u>0</u>	<u>(5,000)</u>
Net change in fund balance	<u>1,015</u>	<u>1,015</u>	<u>(1,870)</u>	<u>(2,885)</u>
Fund Balance, July 1, 2022	<u>12,948</u>	<u>12,948</u>	<u>12,948</u>	<u>-</u>
Fund Balance, June 30, 2023	<u>\$13,963</u>	<u>\$13,963</u>	<u>\$11,078</u>	<u>(\$2,885)</u>

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

TOWN OF CUMBERLAND CITY, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual**

Memorial Cemetery Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Sale of lots	0	0	800	800
Miscellaneous:				
Interest	6	6	92	86
Total Revenues	6	6	892	886
Expenditures:				
Maintenance and repair	1,500	1,500	0	1,500
Total Expenditures	1,500	1,500	0	1,500
Excess (deficiency) of revenues over expenditures	(1,494)	(1,494)	892	2,386
Fund Balance, July 1, 2022	9,543	9,543	9,543	-
Fund Balance, June 30, 2023	\$8,049	\$8,049	\$10,435	\$2,386

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

TOWN OF CUMBERLAND CITY, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual**

City Cemetery Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Donations	500	500	987	487
Miscellaneous:				
Interest	<u>10</u>	<u>10</u>	<u>184</u>	<u>174</u>
Total Revenues	<u>510</u>	<u>510</u>	<u>1,171</u>	<u>661</u>
Expenditures:				
Maintenance and supplies	<u>6,350</u>	<u>6,350</u>	<u>5,070</u>	<u>1,280</u>
Total Expenditures	<u>6,350</u>	<u>6,350</u>	<u>5,070</u>	<u>1,280</u>
Excess (deficiency) of revenues over expenditures	(5,840)	(5,840)	(3,899)	1,941
Fund Balance, July 1, 2022	<u>28,579</u>	<u>28,579</u>	<u>28,579</u>	<u>-</u>
Fund Balance, June 30, 2023	<u><u>\$22,739</u></u>	<u><u>\$22,739</u></u>	<u><u>\$24,680</u></u>	<u><u>\$1,941</u></u>

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

TOWN OF CUMBERLAND CITY, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual**

Drug Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and fees	250	250	332	82
Miscellaneous:				
Sale of assets	0	0	15,000	15,000
Interest	0	0	922	922
	0	0	15,922	15,922
Total Revenues	250	250	16,254	16,004
Expenditures:				
Supplies	0	0	0	0
	0	0	0	0
Capital outlay	50,000	50,000	35,299	14,701
Total Expenditures	50,000	50,000	35,299	14,701
Excess (deficiency) of revenues over expenditures	(49,750)	(49,750)	(19,045)	30,705
Fund Balance, July 1, 2022	60,527	60,527	60,527	-
Fund Balance, June 30, 2023	10,777	10,777	41,482	30,705

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF CUMBERLAND CITY, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies

The Town of Cumberland City, Tennessee, was incorporated under the Private Act of the Tennessee General Assembly. The Town operates under a Mayor-Alderman form of government. The Town provides the following services, as authorized by its charter and duly passed ordinances: public safety (police), water and sewer, streets, public improvements, and general administrative services. The accounting policies of the Town of Cumberland City, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity:

In evaluating the Town as a reporting entity, management follows all applicable GASB statements and has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. The Town (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town has no component units at yearend.

The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and the economic measurement focus for all funds. The fund financial statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in one column. The reporting includes the reporting of capital assets, infrastructure and depreciation, the elimination of account groups, and the inclusion of management's discussion and analysis. The government-wide financial statements present the Town's programs between business-type and governmental activities.

TOWN OF CUMBERLAND CITY, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

Government -Wide and Fund Financial Statements

The Government-wide financial statements, the statement of Net Position and the statement of changes in Net Position, report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and enterprise funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 enterprise fund 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.

Governmental fund revenues 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 collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes and most governmental revenues as available if received within 60 days of years end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWN OF CUMBERLAND CITY, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

The government reports the following major funds:

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

State Street Fund - To account for the receipt and usage of the Town's share of gasoline taxes.

Memorial Cemetery Fund – To account for the funds given in memorial to be used for the long-term care of the Cemetery.

City Cemetery Fund – To account for the funds used for plot sales and maintenance of the cemetery,

Drug Fund – To account for the funds provided by drug seizures and drug fines which are used to educate the public about the dangers of drug use and used in drug investigations.

The government reports the following major enterprise fund:

The Utility (Water and Sewer) Fund is used to account for water and sewer operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments- in-lieu taxes and other charges between the government's utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the various utility funds are charges to customers for sales and services. The Utility Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

TOWN OF CUMBERLAND CITY, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

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

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of savings accounts, certificates of deposit with original maturities three months or less.

Receivables and Payables

Activity between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either due from/ due to other funds (i.e. the 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.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources. All trade receivables are shown net of an allowance for uncollectible, if applicable.

Property Tax

The Town's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the Town's legal boundaries. All Town taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

Assessed values are established by the State of Tennessee at the following rates of appraised market value:

Public Utility Property	55%
Industrial and Commercial Property	
- Real	40%
- Personal	30%
Farm and Residential Property	25%

Taxes were levied at a rate of \$0.73 per \$100 of assessed valuation for the fiscal year ended June 30, 2023.

Payments may be made during the period from October 1 through March 1. Current tax collections of \$175,609 for the fiscal year ended June 30, 2023 were approximately 107 percent of the tax levy.

Delinquent taxes are turned over to the County for collection as required by the Town's Municipal Code.

TOWN OF CUMBERLAND CITY, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, 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. The Town has deferred outflows related to its pension plan reporting.

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, which do not meet the availability criteria in governmental funds. The Town has deferred inflows related to its pension plan reporting and unspent grant receipts. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings, including streets and sidewalks, and drainage systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of \$5,000 and an estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Interest incurred during the construction phase of capital assets of business-type activities is expensed when paid and thus not a part of the capitalized cost.

Depreciation is provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Infrastructure	40-50 years
Buildings	40-50 years
Utility Plant in Service	33 years
Furniture and Equipment	5-10 years

TOWN OF CUMBERLAND CITY, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

Inventory

Inventory of the Utility Fund is valued at cost, using the first in first out method. Inventory of all the governmental funds consists of expendable supplies held for consumption and are recorded at cost under the consumption method.

Restricted Assets

Certain proceeds of the Enterprise Fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on their respective balance sheets because they are maintained in separate bank accounts and their use is either limited by applicable bond covenants or represent proceeds from bond issues that are restricted for use in construction.

Estimates

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

Compensated Absences

The Town has accrued a liability for unused sick and vacation pay which is earned, but not taken by Town employees.

	Balance July 1, <u>2022</u>	Addi- tions	Retire- ments	Balance June 30, <u>2023</u>
Governmental activities	22,979	-	10,781	12,198
Business-type activities	341	-	201	140

Government Wide – Net Position

Net position is a component of equity and is displayed in the following three components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.

Restricted – Consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities. The restrictions are evident from the classification titles.

Unrestricted – All other net position that does not meet the description of the above categories.

TOWN OF CUMBERLAND CITY, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

Fund Balance

The Town implemented GASB 54 which addresses issues related to how fund balances are reported. Fund balances are now reported in the following manner:

Nonspendable Fund Balance - This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes terms that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance - This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

Committed Fund Balance - This classification includes amounts that can only be used for the specific purposes determined by a formal action of the Town’s highest level of decision-making authority, the Town Council of the Town of Cumberland City, Tennessee. Commitments may be changed or lifted only by the Town taking the same formal action that imposed the constraint originally (for example: ordinance).

Assigned Fund Balance - This classification included amounts intended to be used by the Town for specific purposes that are neither restricted nor committed. The Town Council and its designee, the Recorder, have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned Fund Balance - This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and enterprise fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

TOWN OF CUMBERLAND CITY, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgets are adopted and approved by Council vote on an annual basis for the General and Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The Town Council approves, by ordinance, total budget appropriations by department only. The Mayor is authorized to transfer budget amounts between line items within each department; however, any revisions that alter the total appropriations of any fund must be approved by the Town Council.
- c. The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Cumberland City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Cumberland City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Long-term Obligations

In the government-wide financial statements and enterprise 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 enterprise fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Debt issuance costs, such as insurance costs, fees and other related costs should be recognized as an expense.

TOWN OF CUMBERLAND CITY, TENNESSEE

Notes to Financial Statements

June 30, 2023

(2) Cash and Cash Equivalents

The Town is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts and certificates of deposit. During the year, the Town invested funds that were not immediately needed in certificates of deposits and savings accounts. The Town has deposit policies to minimize custodial credit risks. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the town. The Town's deposits with financial institutions are fully insured or collateralized by securities held by the depository bank in the government's name. Additionally, the deposit accounts are covered by the Federal Depository Insurance Coverage (FDIC).

(3) Accounts Receivable

Accounts receivable at June 30, 2023, consists of the following:

<u>Fund</u>	<u>Other Governments</u>	<u>Property Taxes</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	40,626	184,000	-	224,626
Special Revenue Fund	1,888	-	-	1,888
Enterprise Fund	-	-	18,666	18,666
Less allowance for doubtful accounts	-	-	(2,879)	(2,879)
Total	<u>42,514</u>	<u>184,000</u>	<u>15,787</u>	<u>242,301</u>

TOWN OF CUMBERLAND CITY, TENNESSEE

Notes to Financial Statements

June 30, 2023

(4) Capital Assets

A summary of changes in capital assets as presented in the governmental activities column of the government-wide financial statements is as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
Land and land rights	\$ 9,270	-	-	9,270
Buildings and improvements	236,542	-	-	236,542
Infrastructure	334,409	-	-	334,409
Equipment and vehicles	<u>336,723</u>	<u>59,868</u>	<u>145,815</u>	<u>250,776</u>
Total	916,944	<u>59,868</u>	<u>145,815</u>	830,997
Less Accumulated depreciation	<u>(493,977)</u>			<u>(382,569)</u>
Net capital assets in service	\$ <u>422,967</u>			<u>448,428</u>

All assets are being depreciated except for \$9,270 in land and land rights.

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

General Fund:

General government administration	\$ 19,778
Police department	4,885
Highways and Streets	<u>9,744</u>
Total	<u>34,407</u>

A summary of changes in Enterprise Fund capital assets and related accumulated depreciation follows:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>
Utility plant	\$ 2,497,944	20,573	-	2,518,517
Equipment	<u>20,993</u>	<u>-</u>	<u>-</u>	<u>20,993</u>
Total	2,518,937	<u>20,573</u>	<u>-</u>	2,539,510
Less accumulated depreciation	<u>(1,592,170)</u>			<u>(1,637,439)</u>
Net plant in service	\$ <u>926,767</u>			<u>902,071</u>

All assets are being depreciated. Depreciation expense was \$45,269 for the year ended June 30, 2023.

TOWN OF CUMBERLAND CITY, TENNESSEE

Notes to Financial Statements

June 30, 2023

(5) Bonds and Notes Payable

Direct Borrowings

The following schedule reflects the changes in long-term debt, as shown in the Enterprise Fund during fiscal year 2023.

Bonds Payable:	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
USDA 91-01	170,811	0	4,808	166,003	4,928
Total	<u>170,811</u>	<u>0</u>	<u>4,808</u>	<u>166,003</u>	<u>4,928</u>

The repayment of principal and interest on these bonds is secured by the revenue of the Water and Sewer fund, and in the event such revenue is insufficient therefore, the bonds shall be payable from ad valorem taxes to be levied on all taxable property within the corporate limit of the municipality without limitations as to time rate or amount. The Town ordinances provide that the revenue of the water and sewer system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue and tax bonds. Any remaining revenue from the utility system may then be used for any lawful purpose. The above bonds payable contain provisions that in the event of default, the lender can use any remedy allowed by state or federal law.

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2023 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2024	4,928	7,468
2025	5,150	7,246
2026	5,382	7,014
2027	5,624	6,772
2028	5,877	6,519
2029-2033	33,595	28,385
2034-2038	41,866	20,114
2039-2043	52,173	9,807
2044	<u>11,408</u>	<u>521</u>
Total	<u>166,003</u>	<u>93,846</u>

TOWN OF CUMBERLAND CITY, TENNESSEE

Notes to Financial Statements

June 30, 2023

(6) Pension Plan

General Information about the Pension Plan

Plan description. Employees of Cumberland City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits provided. Tennessee Code Annotated, Title 8, Chapter 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms. At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>6</u>
Total	<u>13</u>

TOWN OF CUMBERLAND CITY, TENNESSEE

Notes to Financial Statements

June 30, 2023

(6) Pension Plan, Continued

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Cumberland City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023, the Actuarially Determined Contributions (ADC) for Cumberland City were \$5,105 based on a rate of (0.00%) percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Cumberland City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Cumberland City's net pension liability (asset) was measured as of June 30, 2022, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<i>Inflation</i>	2.25 percent
<i>Salary increases</i>	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation averaging 4.00 percent.
<i>Investment rate of return</i>	6.75 percent, net of pension plan investment expenses, including inflation.
<i>Cost-of-Living Adjustment</i>	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

TOWN OF CUMBERLAND CITY, TENNESSEE

Notes to Financial Statements

June 30, 2023

(6) Pension Plan, Continued

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates by return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real Estate	4.38%	10%
Short-term securities	0.00%	<u>1%</u>
Total		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Cumberland City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF CUMBERLAND CITY, TENNESSEE

Notes to Financial Statements

June 30, 2023

(6) Pension, Continued

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/21	\$557,291	\$933,279	\$ (375,988)
Changes for the Year:			
Service Cost	26,161	-	26,161
Interest	38,969	-	38,969
Changes in Benefit Terms	-	-	-
Differences between expected and actual experience	6,290	-	6,290
Changes in Assumptions	-	-	-
Contributions-employer	-	4,951	(4,951)
Contributions-employees	-	12,378	(12,378)
Net investment income	-	(35,789)	35,789
Benefit payments, including refunds of employee contributions	(12,281)	(12,281)	-
Administrative expense	-	(592)	592
Other changes	-	-	-
Net changes	59,139	(31,333)	90,472
Balance at 6/30/22	<u>\$ 616,430</u>	<u>\$ 901,946</u>	<u>\$ (285,516)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Cumberland City calculated using the discount rate of 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Cumberland City's net pension Liability (asset)	(180,353)	(285,516)	(371,193)

TOWN OF CUMBERLAND CITY, TENNESSEE

Notes to Financial Statements

June 30, 2023

(6) Pension, Continued

Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Negative pension expense. For the year ended June 30, 2023, Cumberland City recognized negative pension expense of (\$26,720).

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2023, Cumberland City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	20,274	88,609
Net difference between projected and Actual earning on pension plan Investments	3,371	-
Changes in assumptions	61,847	-
Contributions subsequent to the Measurement date of June 30, 2022	<u>5,105</u>	<u>-</u>
Total	<u>90,597</u>	<u>88,609</u>

The amounts shown above for 'Contributions subsequent to the measurement date of June 30, 2022,' will be recognized as a reduction (increase) to net position liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2024	(15,636)
2025	(10,753)
2026	(5,059)
2027	17,369
2028	5,088
Thereafter	5,874

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

TOWN OF CUMBERLAND CITY, TENNESSEE

Notes to Financial Statements

June 30, 2023

(7) Risk Management

The Town of Cumberland City is exposed to various risks to general liability and property and casualty losses. The Town has decided to purchase commercial insurance for general liability and property and casualty coverage. Any risks not covered as shown in the schedule of insurance are uninsured and that risk of loss is retained by the Town. The Town has not had claims in excess of insurance coverage during the last three years.

(8) Commitments and Contingencies

Grants:

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the applicable fund.

REQUIRED
SUPPLEMENTARY
INFORMATION

TOWN OF CUMBERLAND CITY, TENNESSEE

Schedule of Required Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS

Last Fiscal Year ending June 30

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total pension liability (asset)									
Service cost	\$ 23,359	\$ 18,397	\$ 21,807	\$ 14,752	\$ 15,159	\$ 14,533	\$ 18,176	\$ 12,909	\$ 26,161
Interest	\$ 28,782	\$ 28,480	\$ 31,424	\$ 31,792	\$ 33,648	\$ 34,110	\$ 38,026	\$ 35,663	\$ 38,969
Changes in benefit terms	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Differences between actual & expected experience	\$ (40,398)	\$ (5,215)	\$ (41,266)	\$ (12,301)	\$ (29,707)	\$ 34,466	\$ (52,545)	\$ (44,306)	\$ 6,290
Change of assumptions	-	-	\$ -	\$ 11,227	\$ (11,324)	\$ -	\$ -	\$ 78,718	\$ -
Benefit payments, including refunds of employee contributions	\$ (9,962)	\$ (11,649)	\$ -	\$ -	\$ -	\$ (12,877)	\$ (52,603)	\$ (9,365)	\$ (12,281)
Net change in total pension liability (asset)	\$ 1,781	\$ 30,013	\$ 11,965	\$ 45,470	\$ 7,776	\$ 70,232	\$ (48,946)	\$ 73,619	\$ 59,139
Total pension liability (asset)-beginning	\$ 365,381	\$ 367,162	\$ 397,175	\$ 409,140	\$ 454,610	\$ 462,386	\$ 532,618	\$ 483,672	\$ 557,291
Total pension liability (asset)-ending (a)	\$ 367,162	\$ 397,175	\$ 409,140	\$ 454,610	\$ 462,386	\$ 532,618	\$ 483,672	\$ 557,291	\$ 616,430
Plan fiduciary net position									
Contributions-employer	\$ 16,338	\$ 12,649	\$ 11,009	\$ 15,975	\$ 14,814	\$ 16,933	\$ 6,570	\$ 7,987	\$ 4,951
Contributions-employee	\$ 13,113	\$ 12,047	\$ 10,485	\$ 11,017	\$ 10,217	\$ 11,678	\$ 10,951	\$ 13,311	\$ 12,378
Net investment income	\$ 63,354	\$ 14,213	\$ 13,065	\$ 59,996	\$ 50,572	\$ 50,188	\$ 35,416	\$ 190,217	\$ (35,789)
Benefit payments, including refunds of employee contributions	\$ (9,962)	\$ (11,649)	\$ -	\$ -	\$ (11,324)	\$ (12,877)	\$ (52,603)	\$ (9,365)	\$ (12,281)
Administrative expense	\$ (259)	\$ (355)	\$ (454)	\$ (469)	\$ (512)	\$ (534)	\$ (485)	\$ (537)	\$ (592)
Other	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	\$ 82,584	\$ 26,905	\$ 34,105	\$ 86,519	\$ 63,767	\$ 65,388	\$ (151)	\$ 201,613	\$ (31,333)
Plan fiduciary net position-beginning	\$ 372,549	\$ 455,133	\$ 482,038	\$ 516,143	\$ 602,662	\$ 666,429	\$ 731,817	\$ 731,666	\$ 933,279
Plan fiduciary net position-ending (b)	\$ 455,133	\$ 482,038	\$ 516,143	\$ 602,662	\$ 666,429	\$ 731,817	\$ 731,666	\$ 933,279	\$ 901,946
Net Pension Liability (asset)-ending (a) - (b)	\$ (87,971)	\$ (84,863)	\$ (107,003)	\$ (148,052)	\$ (204,043)	\$ (199,199)	\$ (247,994)	\$ (375,988)	\$ (285,516)
Plan fiduciary net position as a percentage of total pension liability	123.96%	121.37%	126.15%	132.57%	144.13%	137.40%	151.27%	167.47%	146.32%
Covered payroll	\$ 262,253	\$ 240,940	\$ 209,690	\$ 220,347	\$ 204,333	\$ 233,563	\$ 219,013	\$ 266,219	\$ 247,568
Net pension liability (asset) as a percentage of covered payroll	-33.54%	-35.22%	-51.03%	-67.19%	-99.86%	-85.29%	-113.23%	-141.23%	-115.33%

Changes of assumptions. In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

TOWN OF CUMBERLAND CITY, TENNESSEE
Schedule of Contributions Based on Participation in the
Public Employee Pension Plan of TCRS

For the Year Ended June 30,

	<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>	<u>2023</u>
Actuarially determined contribution	16,338	12,649	11,009	11,568	4,781	0	0	0	0	5,105
Contributions in relation to the actuarially determined contribution	<u>16,338</u>	<u>12,649</u>	<u>11,009</u>	<u>15,975</u>	<u>14,838</u>	<u>16,933</u>	<u>6,570</u>	<u>7,987</u>	<u>4,951</u>	<u>5,105</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$4,407)</u>	<u>(\$10,057)</u>	<u>(\$16,933)</u>	<u>(\$6,570)</u>	<u>(\$7,987)</u>	<u>(\$4,951)</u>	<u>\$0</u>
Covered-employee payroll	<u>262,253</u>	<u>240,940</u>	<u>209,690</u>	<u>220,347</u>	<u>204,333</u>	<u>233,563</u>	<u>219,013</u>	<u>266,219</u>	<u>200,208</u>	<u>266,219</u>
Contributions as a percentage covered-employee payroll	6.23%	5.25%	5.25%	7.25%	7.25%	7.25%	3.00%	3.00%	0.00%	0.00%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

Notes to Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent.
Investment Rate of Return	6.75 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.125 percent

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

SUPPLEMENTAL
INFORMATION

TOWN OF CUMBERLAND CITY, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Changes in Capital Assets - By Type

June 30, 2023

Capital Assets:	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Land	\$9,270	0	0	9,270
Building	236,542	0	0	236,542
Infrastructure	334,409	0	0	334,409
Equipment	<u>336,723</u>	<u>59,868</u>	<u>145,815</u>	<u>250,776</u>
Total capital assets	<u>\$916,944</u>	<u>59,868</u>	<u>145,815</u>	<u>830,997</u>

TOWN OF CUMBERLAND CITY, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Capital Assets - By Function and Activity

June 30, 2023

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
General government	\$9,270	236,542	16,840	0	262,652
Police department	0	0	63,774	0	63,774
Fire department	0	0	100,001	0	100,001
Street department	0	0	51,043	334,409	385,452
Parks and recreation	<u>0</u>	<u>0</u>	<u>19,118</u>	<u>0</u>	<u>19,118</u>
Total capital assets	<u>\$9,270</u>	<u>236,542</u>	<u>250,776</u>	<u>334,409</u>	<u>830,997</u>

TOWN OF CUMBERLAND CITY, TENNESSEE

**Schedule of Cash and Cash Equivalents and Certificate of Deposits
All Funds**

June 30, 2023

	<u>Carrying Value</u>
General Fund:	
Demand deposits	580,725
Certificate of deposit	99,628
Total General Fund	<u>680,353</u>
State Street Aid Fund:	
Demand deposits	10,226
Total State Street Aid Fund	<u>10,226</u>
City Cemetery Fund:	
Demand deposits	20,880
Certificate of deposit	3,800
Total City Cemetery Fund	<u>24,680</u>
Memorial Cemetery Fund:	
Demand deposits	10,435
Total Memorial Cemetery Fund	<u>10,435</u>
Drug Fund:	
Demand deposits	41,482
Total Drug Fund	<u>41,482</u>
Water Fund:	
Demand deposits	591,165
Certificate of deposit	275,388
Total Water Fund	<u>866,553</u>
Total - All funds	<u><u>\$1,633,729</u></u>

TOWN OF CUMBERLAND CITY, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2023

<u>Tax Year</u>	<u>Balance July 1, 2022</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2023</u>
2023	\$ -	184,000	0	184,000
2022	204,000	(19,836)	175,609	8,555
2021	8,300	0	7,794	506
2020	408	0	331	77
2019	195	0	154	41
2018	281	0	59	222
2017	462	0	47	415
	<u>\$213,646</u>	<u>164,164</u>	<u>183,994</u>	<u>193,816</u>

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Tax Adjustment and Collections</u>	<u>Outstanding Taxes</u>
2023	\$ 0.73	184,000	0	184,000
2022	0.73	184,164	175,609	8,555
2021	0.73	204,266	203,760	506
2020	0.69	191,757	191,680	77
2019	0.69	190,895	190,854	41
2018	0.69	187,056	186,834	222
2017	0.69	188,108	187,693	415
2016	0.69	167,077	167,077	0
2015	0.69	150,184	150,184	0
2014	0.75	175,420	175,420	0

Delinquent taxes have been turned over to the Clerk and Master.

TOWN OF CUMBERLAND CITY, TENNESSEE

Schedule of Debt Service Requirements - Enterprise Fund

June 30, 2023

<u>Year</u>	WATER AND SEWER REVENUE BOND - 2005		Totals	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 4,928	7,468	4,928	7,468
2025	5,150	7,246	5,150	7,246
2026	5,382	7,014	5,382	7,014
2027	5,624	6,772	5,624	6,772
2028	5,877	6,519	5,877	6,519
2029	6,141	6,255	6,141	6,255
2030	6,417	5,979	6,417	5,979
2031	6,706	5,690	6,706	5,690
2032	7,008	5,388	7,008	5,388
2033	7,323	5,073	7,323	5,073
2034	7,653	4,743	7,653	4,743
2035	7,997	4,399	7,997	4,399
2036	8,357	4,039	8,357	4,039
2037	8,733	3,663	8,733	3,663
2038	9,126	3,270	9,126	3,270
2039	9,537	2,859	9,537	2,859
2040	9,966	2,430	9,966	2,430
2041	10,414	1,982	10,414	1,982
2042	10,883	1,513	10,883	1,513
2043	11,373	1,023	11,373	1,023
2044	11,408	521	11,408	521
	\$ 166,003	93,846	166,003	93,846
	\$ 166,003	93,846	166,003	93,846

TOWN OF CUMBERLAND CITY, TENNESSEE

Schedule of Changes in Long-term Debt by Individual Issue

June 30, 2023

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2022	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2023
Business-Type Activities									
NOTES PAYABLE									
USDA 91-01	\$ 225,000	4.50%	2005	12/1/2044	\$ 170,811	-	\$ 4,808	-	\$166,003
Total Notes Payable					\$ 170,811	\$ -	\$ 4,808	\$ -	\$ 166,003

TOWN OF CUMBERLAND CITY, TENNESSEE

Schedule of Utility Rates and Information

Water and Sewer Fund

June 30, 2023

<u>Water rates:</u>	<u>Inside City</u>	<u>Outside City</u>
Residential		
Minimum 2,000 gallons	22.60	35.50
All over 2,000 gallons	4.50 per 1,000 gallons	6.50 per 1,000 gallons
Commercial		
Minimum 2,000 gallons	35.50	N/A
All over 2,000 gallons	5.50 per 1,000 gallons	N/A
Industrial		
Minimum 2,000 gallons	53.50	N/A
All over 2,000 gallons	6.60 per 1,000 gallons	N/A
<u>Sewer rates:</u>		
Residential		
Minimum 2,000 gallons	23.25	N/A
All over 2,000 gallons	4.60 per 1,000 gallons	N/A
Commercial		
Minimum 2,000 gallons	36.45	N/A
All over 2,000 gallons	5.70 per 1,000 gallons	N/A

At year-end the Utility system had approximately 430 customers.

TOWN OF CUMBERLAND CITY, TENNESSEE

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2023

<u>Assistance Listing Number</u>	<u>State Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance June 30, 2022</u>	<u>Grant Receipts</u>	<u>Other Receipts</u>	<u>Grant Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2023</u>
Federal Program								
21.027	N/A	American Rescue Plan Act	US Department of Treasury thru the State of Tennessee	<u>(\$45,546)</u>	<u>45,545</u>	<u>0</u>	<u>0</u>	<u>(91,091)</u>
Totals				<u>(\$45,546)</u>	<u>45,545</u>	<u>0</u>	<u>0</u>	<u>(91,091)</u>

This schedule prepared on the accrual basis of accounting.

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

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

Mayor and Aldermen
Town of Cumberland City, Tennessee
Cumberland City, Tennessee

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities and each major fund as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Cumberland City's basic financial statements, and have issued a report thereon dated October 27, 2023.

Internal Control Over Financial Reporting

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

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

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001, that I consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Cumberland City's financial statements are free of 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 determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The Town of Cumberland City's response to the finding identified in the audit is described in the Schedule of Findings and Responses. The Town of Cumberland City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of This Report

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

Juli R Poole, CPA

October 27, 2023

TOWN OF CUMBERLAND CITY, TENNESSEE

Schedule of Findings and Responses

June 30, 2023

2023-001 - Separation of Duties

Condition: The Town of Cumberland City currently has two employees that works in performing the majority of the accounting functions for the Town. Due to only having two employees performing the accounting transactions there is currently an inadequate segregation of duties.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Cause: The Town has a limited number of office employees to provide for a proper division of duties.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner along with the possibility of fraud or misappropriation of assets increases when accounting functions are not adequately segregated.

Recommendation: For adequate separation of duties, the employee who writes receipts, prepares and makes bank deposits, or writes checks should neither reconcile bank statements nor post to the cash receipts and disbursements journals.

Response: “We agree that the staff size will not allow the Town to segregate duties to the optimum level desired. There is only two employees working in the department so it is virtually impossible to segregate duties unless more staff could be hired and due to the finances of our small town, we could not financially hire additional office help.”

TOWN OF CUMBERLAND CITY, TENNESSEE

Schedule of Disposition of Prior Year Comments

June 30, 2023

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2022 – 001	Separation of Duties	Repeated

The original finding number was 2005-001. The current finding number is 2023-001.

TOWN OF CUMBERLAND CITY

121 MAIN STREET PO BOX 40

CUMBERLAND CITY, TENNESSEE 37050

(931)-827-2000 PHONE

(931)-827-2395 FAX

Gary Vaughn, Mayor

Kristane Mathis, Recorder

Management's Corrective Action Plan

Audit period: June 30, 2023

The findings from the June 30, 2023, *Schedule of Findings and Responses* are discussed below.

2023-001 Segregation of Duties (Internal Control)

Contact person: Kristane Mathis

Planned Corrective Action: It is not economically feasible at this time to hire a sufficient number of people to adequately separate the duties. The Board of Officials continues to monitor our finances and internal control.

Anticipated Completion Date: At the current time, due to our size, we do not believe we can fully segregate these duties. We will continue to improve and strengthen our internal controls, but we cannot give a definite date.

Signature:

Kristane Mathis