

CITY OF SNEEDVILLE, TENNESSEE
Financial Statements
June 30, 2023

CITY OF SNEEDVILLE, TENNESSEE
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2023

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**CITY OF SNEEDVILLE, TENNESSEE
ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2023**

CITY OFFICIALS:

ELECTED OFFICIALS

Wayland Dean Rhea
Steven J Harrison
Becky M Collins
Janet Collins
Michael S Gibson
Kenny L Reed

Mayor
Vice Mayor
Alderwoman
Alderwoman
Alderman
Alderman

APPOINTED OFFICIALS

Gail Collins, CMFO
Floyd Rhea
Patricia Johnson

City Recorder
City Attorney
City Judge

DAVID M. ELLIS

Certified Public Accountant

*Member, American Institute of
Certified Public Accountants*

*Member, Tennessee Society of
Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

To the Board of Mayor and Aldermen
City of Sneedville
Sneedville, Tennessee

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sneedville, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Sneedville, Tennessee's basic financial statements as listed in the table of contents.

In my opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sneedville, Tennessee, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the General Fund, Sanitation Fund and State Street Aid Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Sneedville, Tennessee and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sneedville, Tennessee's basic financial statements. The supplemental information section as listed in the table of contents on pages 36-41 are presented for purposes of additional analysis and

are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the list of elected and appointed officials on page i and the other information section on pages 42-45 but does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 29, 2024, on my consideration of the City of Sneedville, Tennessee's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Sneedville, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sneedville, Tennessee's internal control over financial reporting and compliance.



David M. Ellis, CPA
Greeneville, Tennessee
July 29, 2024

CITY OF SNEEDVILLE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

As management of the City of Sneedville (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the 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 City.

Financial Highlights:

- The assets of the City of Sneedville exceeded its liabilities at the close of the most recent year by \$7,030,883. Of this amount, \$581,080 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, fund balance for the General Fund was \$271,962.
- As of the close of the current fiscal year, net position for the Proprietary Fund was \$5,352,813.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$390,273.

Overview of the Financial Statements:

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

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

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the 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).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City of Sneedville include general government, public safety, public works, and culture and recreation.

Fund Financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sneedville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be classified as governmental funds.

CITY OF SNEEDVILLE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

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, government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may be better able to understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City 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 both funds.

The City adopts an annual appropriated budget for each of its governmental funds. The City's Charter necessitates re-appropriations of the budget only when the entire fund expenditures are expected to exceed budgeted amounts. A budgetary comparison statement has been provided for the General Fund and State Street Aid Fund to demonstrate compliance with the appropriation.

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.

Government-wide Overall Financial Analysis

The largest portion of the City's net position (90%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

An additional portion of the City of Sneedville, Tennessee's net position (2%) represents the resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Sneedville, Tennessee is able to report positive balances in all categories of net position.

CITY OF SNEEDVILLE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

SUMMARIZED FINANCIAL INFORMATION

City of Sneedville, Tennessee Net Position

	Governmental Activities		Business-Type Activities	
	2023	2022	2023	2022
Cash & cash equivalents	749,690	588,331	243,590	178,217
Investments	-	-	8,870	8,856
Receivables, net	13,614	34,686	60,838	37,486
Due from other governments	37,946	33,579	-	-
Restricted assets	-	-	38,423	45,519
Depreciable capital assets	2,425,924	2,425,924	7,097,389	7,097,389
Less: accumulated depreciation	<u>(1,331,814)</u>	<u>(1,263,891)</u>	<u>(3,160,646)</u>	<u>(3,024,753)</u>
Non-depreciable capital assets	262,501	262,501	1,640,019	1,386,526
Total Assets	<u>2,157,861</u>	<u>2,081,130</u>	<u>5,928,483</u>	<u>5,729,240</u>
Accounts payable	25,537	10,598	4,074	12,454
Accrued payroll & payroll liabilities	7,880	9,006	106	131
ARPA funding	374,166	174,031	-	-
Noncurrent liabilities:				
Accrued leave	3,395	-	-	-
Due within one year liabilities	6,293	49,184	17,920	72,325
Long-term liabilities	62,521	68,814	553,570	571,207
Total Liabilities	<u>479,792</u>	<u>311,634</u>	<u>575,670</u>	<u>656,117</u>
Net investment in capital assets	1,287,798	1,306,536	5,005,272	4,815,629
Restricted	118,310	138,534	38,423	45,519
Unrestricted	<u>271,962</u>	<u>324,427</u>	<u>309,118</u>	<u>212,000</u>
Total Net Position	<u>\$ 1,678,070</u>	<u>\$ 1,769,497</u>	<u>\$ 5,352,813</u>	<u>\$ 5,073,148</u>

CITY OF SNEEDVILLE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

City of Sneedville, Tennessee Changes in Net Position

	Governmental Activities		Business-Type Activities	
	2023	2022	2023	2022
Revenues				
Charges for services	\$ 72,799	73,608	\$ 363,785	296,582
Operating grants	68,517	72,147	-	-
Capital grants and contributions	-	245,445	234,109	662,130
Other intergovernmental revenue	170,761	179,779	-	-
Local taxes	222,255	205,729	-	-
Other taxes	33,524	33,495	-	-
Other revenues	<u>31,667</u>	<u>15,736</u>	<u>954</u>	<u>86</u>
Total Revenues	<u>599,523</u>	<u>825,939</u>	<u>598,848</u>	<u>958,798</u>
Expenses				
General government	164,524	226,820	-	-
Public safety	24,623	35,485	-	-
Public works	50,099	48,620	-	-
Highways & streets	139,895	106,815	-	-
Recreation	112,095	55,337	-	-
Senior citizens	39,444	25,204	-	-
Public housing	8,974	152,694	-	-
Sanitation	81,012	72,002	-	-
Interest & Depreciation	<u>70,284</u>	<u>107,752</u>	-	-
Sewer operation			319,183	342,842
Total Expenses	<u>690,950</u>	<u>830,729</u>	<u>319,183</u>	<u>342,842</u>
Change in net position	(91,427)	(4,790)	279,665	615,956
Net position, beginning	1,769,497	1,774,287	5,073,148	4,657,922
Net position, ending	<u>\$ 1,678,070</u>	<u>\$ 1,769,497</u>	<u>\$ 5,352,813</u>	<u>\$ 5,273,878</u>

Changes in net position. Governmental activities decreased the City's net position by \$91,427.

CITY OF SNEEDVILLE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Financial Analysis of the Governmental Funds

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

Governmental Funds

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

The general fund is the chief operating fund of the City. At the end of this fiscal year, unassigned fund balance is \$271,962.

Capital Assets

The City of Sneedville's investment in capital assets from its governmental activities at June 30, 2023, was \$1,287,798 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvement, machinery and equipment, park facilities, roads, highways, and bridges.

City of Sneedville, Tennessee Capital Assets

	Governmental Activities		Business-Type Activities	
	2023	2022	2023	2022
Land	\$ 262,501	\$ 262,501	\$ 27,637	\$ 27,637
Construction in progress	-	-	1,612,382	1,358,889
Buildings and improvements	658,079	658,079	6,885,662	6,885,662
Infrastructure	1,145,251	1,145,251	-	-
Machinery & equipment	622,594	622,594	211,727	211,727
Accumulated Depreciation	(1,331,813)	(1,263,890)	(3,160,647)	(3,024,754)
Total Capital Assets	<u>\$ 1,356,612</u>	<u>\$ 1,424,535</u>	<u>\$ 5,576,761</u>	<u>\$ 5,459,161</u>

Additional information on the City of Sneedville's capital assets can be found in the notes to the financial statements section of this report.

Long-term Debt

At the end of the current year, the City of Sneedville had debt outstanding of \$676,497. This is a decrease of \$121,226 from the prior year. Of this amount, \$24,213 is due in the next fiscal year.

Additional information on the City of Sneedville's debt can be found in the notes to the financial statements section of this report.

CITY OF SNEEDVILLE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Requests for Information

This financial report is designed to provide a general overview of the City of Sneedville, 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 Gail Collins, CMFO, P.O. Box 377, Sneedville, Tennessee 37326.

City of Sneedville, Tennessee
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 749,690	\$ 243,590	\$ 993,280
Investments	-	8,870	8,870
Receivables, net	13,614	60,838	74,453
Due from other governments	37,946	-	37,946
Restricted assets	-	38,423	38,423
Depreciable capital assets	2,425,924	7,097,389	9,523,313
Less: accumulated depreciation	(1,331,814)	(3,160,646)	(4,492,460)
Non-depreciable capital assets	262,501	1,640,019	1,902,520
Total assets	2,157,861	5,928,483	8,086,345
LIABILITIES			
Accounts payable	25,537	4,074	29,611
Accrued payroll and payroll liabilities	7,880	106	7,986
ARPA Funding	374,166	-	374,166
Noncurrent liabilities:			
Accrued leave	3,395	-	3,395
Due within one year	6,293	17,920	24,213
Due in more than one year	62,521	553,570	616,091
Total liabilities	479,792	575,670	1,055,462
NET POSITION			
Net investment in capital assets	1,287,798	5,005,272	6,293,069
Restricted for:			
State Street Aid	74,962		74,962
Senior Citizens	-		-
Drug enforcement	495	-	495
Sanitation	44,372	-	44,372
Debt service	-	38,423	38,423
Unrestricted	270,443	309,118	579,561
Total net position	<u>\$ 1,678,070</u>	<u>\$ 5,352,813</u>	<u>\$ 7,030,883</u>

See notes to the financial statements.

City of Sneedville, Tennessee
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 164,524	\$ 250	\$ -	\$ (164,274)	\$ -	\$ (164,274)		
Public safety	24,623	273	-	(24,350)	-	(24,350)		
Public works	50,099			(50,099)	-	(50,099)		
Highways and streets	139,895	-	36,162	-	(103,733)	-	(103,733)	
Recreation and pool	112,095	-	-	-	(112,095)	-	(112,095)	
Sanitation	81,012	72,276	-	-	(8,736)	-	(8,736)	
Public housing	8,974	-	-	-	(8,974)	-	(8,974)	
Senior citizens	39,444	-	32,355	-	(7,089)	-	(7,089)	
Interest and Depreciation	70,284	-	-	-	(70,284)	-	(70,284)	
Total governmental activities	690,950	72,799	68,517	-	(549,634)	-	(549,634)	
Business-type activities								
Sewer fund	319,183	363,785	-	234,109	-	278,711	278,711	
Total business-type activities	319,183	363,785	-	234,109	-	278,711	278,711	
Total Primary Government	\$ 1,003,008	\$ 436,584	\$ 269,656	\$ 234,109	(549,634)	278,711	(270,923)	
General revenues:								
Local sales tax				222,255	-	222,255		
Other taxes				33,524	-	33,524		
Intergovernmental revenues				170,761	-	170,761		
Investment income				2,644	954	3,598		
Miscellaneous income				29,023	-	29,023		
Total general revenues				458,208	954	459,161		
Change in net position								
Net position - beginning				(91,427)	279,665	188,238		
Net position - ending				1,769,497	5,073,148	6,842,645		
	\$ 1,678,070	\$ 5,352,813		\$ 7,030,883				

See notes to the financial statements.

City of Sneedville, Tennessee
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General</u>	<u>Sanitation</u>	<u>State Street Aid</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 643,153	\$ 41,806	\$ 65,686	\$ (955)	\$ 749,690
Receivables, net	7,896	5,718	-	-	13,614
Due from other governments	<u>34,022</u>	<u>-</u>	<u>3,924</u>	<u>-</u>	<u>37,946</u>
Total Assets	<u>\$ 685,071</u>	<u>\$ 47,524</u>	<u>\$ 69,610</u>	<u>\$ (955)</u>	<u>\$ 801,250</u>
LIABILITIES					
Accounts payable	\$ 19,203	\$ 2,415	\$ 3,850	\$ 69	\$ 25,537
Accrued payroll and payroll liabilities	10,538	737	-	-	11,275
ARPA Funding	374,166	-	-	-	374,166
Internal Balances	<u>9,202</u>	<u>-</u>	<u>(9,202)</u>	<u>-</u>	<u>(0)</u>
Total Liabilities	<u>413,109</u>	<u>3,152</u>	<u>(5,352)</u>	<u>69</u>	<u>410,978</u>
FUND BALANCES					
Restricted:					
State Street Aid	-	-	74,962	-	74,962
Senior Citizens	-	-	-	-	-
Drug control	-	-	-	495	495
Sanitation	-	44,372	-	-	44,372
Unassigned	<u>271,962</u>	<u>-</u>	<u>-</u>	<u>(1,519)</u>	<u>270,443</u>
Total fund balances	<u>271,962</u>	<u>44,372</u>	<u>74,962</u>	<u>(1,024)</u>	<u>390,273</u>
Total liabilities and fund balances	<u>\$ 685,071</u>	<u>\$ 47,524</u>	<u>\$ 69,610</u>	<u>\$ (955)</u>	<u>\$ 801,251</u>

City of Sneedville, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
June 30, 2023

Total fund balances, governmental funds	\$ 390,273
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 funds.	67,923
Some liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(117,998)
Net position of governmental activities	<u>\$ 340,198</u>

City of Sneedville, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Sanitation Fund	State Street Aid	Nonmajor Funds	Total Governmental Funds
Revenues:					
Sales taxes	\$ 222,255	\$ -	\$ -	\$ -	\$ 222,255
Other taxes	33,524	-	-	-	33,524
Licenses and permits	250	-	-	-	250
Fines and forfeitures	273	-	-	-	273
Intergovernmental	170,761	-	36,162	17,902	224,825
Federal and state grants	-	-	-	-	-
Charges for services	-	72,276	-	-	72,276
Other revenues	3,460	-	-	14,453	17,913
Investment income	2,088	265	291	-	2,644
Miscellaneous and contribution income	29,023	-	-	-	29,023
Total revenues	461,634	72,542	36,453	32,355	602,983
Expenditures:					
Current:					
General government	211,092	-	-	-	211,092
Public safety	24,623	-	-	-	24,623
Public works	50,099	-	-	-	50,099
Highways and streets	107,215	-	32,680	-	139,895
Recreation and pool	112,095	-	-	-	112,095
Sanitation	-	81,012	-	-	81,012
Public housing	8,974	-	-	-	8,974
Senior citizens	-	-	-	39,444	39,444
Debt service	-	8,436	-	-	8,436
Total expenditures	514,098	89,448	32,680	39,444	675,671
Excess (deficiency) of revenues over (under) expenditures	(52,465)	(16,907)	3,773	(7,089)	(72,687)
Net change in fund balances	(52,465)	(16,907)	3,773	(7,089)	(72,687)
Fund Balances - Beginning	324,427	61,279	71,188	6,065	462,959
Fund Balances - Ending	\$ 271,962	\$ 44,372	\$ 74,961	\$ (1,024)	\$ 390,272

See notes to the financial statements.

City of Sneedville, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2023

Net changes in fund balance - total governmental funds \$ (72,687)

Amounts reported for governmental activities in the statement of activities 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. This is the amount by which depreciation exceeded capital outlays in the current period. (70,017)

Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds. 47,556

Change in net position of governmental activities \$ (95,148)

City of Sneedville, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts			Positive (Negative)	
	Original	Final	Actual	Variance	With Final
					Budget
Revenues:					
Local taxes:					
Wholesale beer tax	\$ -	\$ 30,000	\$ 31,403	\$ 1,403	
Local sales tax	258,500	241,090	222,255	(18,835)	
Franchise taxes	-	3,000	2,121	(879)	
Licenses and permits:					
Building permits	700	1,000	50	(950)	
Beer licenses	-	300	200	(100)	
Court fines and costs		394	273	(121)	
Intergovernmental revenues:					
Sales tax	174,175	153,500	147,685	(5,815)	
Beer tax	-	650	585	(65)	
Income tax	-	1,250	157	(1,093)	
TVA in lieu of tax	-	16,700	15,414	(1,286)	
State - city, streets and transportation	-	2,750	6,921	4,171	
Other state revenues	-	44,805	-	(44,805)	
Federal and state grants					
Investment income		150	2,088	1,938	
Rental income		1,700	3,460	1,760	
Miscellaneous and contribution income	205,400	65,973	29,023	(36,950)	
Total revenues	638,775	563,262	461,634	(101,628)	
Expenditures:					
Current:					
General Government:					
Salaries	-	77,000	100,823	(23,823)	
Payroll tax	-	6,120	7,867	(1,747)	
Benefits	-	1,944	891	1,053	
City court salaries	6,169	6,052	8,909	(2,857)	
Election fees	-	7,000	-	7,000	
Publicity, subscriptions, and dues	-	1,600	1,569	31	
Professional fees	-	20,600	35,918	(15,318)	
Supplies	-	6,250	9,903	(3,653)	
Bonds and insurance	-	26,119	28,252	(2,133)	
Telephone and utilities	-	8,170	9,268	(1,098)	
Repairs and maintenance	15,475	2,250	1,225	1,025	
Other grants, contributions	-	8,231	-	8,231	
Community donations	-	5,700	4,225	1,475	
Miscellaneous	182,574	4,500	2,241	2,259	
	204,218	181,536	211,092	(29,556)	
Public Safety- Fire Protection:					
Contract and professional	8,600	4,950	5,450	(500)	
Supplies	1,200	800	19,031	(18,231)	
Telephone and insurance	-	660	142	518	
	9,800	6,410	24,623	(18,213)	
Public Works:					
Salaries	49,727	40,081	46,477	(6,396)	
Payroll tax	-	3,064	3,622	(558)	
	49,727	43,145	50,099	(6,954)	

City of Sneedville, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Positive (Negative) Variance With Final Budget-
	Original	Final	
Highways and Streets:			
Salaries	89,567	44,609	(14,742)
Payroll tax	-	3,622	(1,030)
Benefits	-	2,029	723
Supplies and tools	-	5,200	(3,996)
Repairs and maintenance	-	2,000	(20,270)
Road repairs	-	3,500	3,500
Fuel	-	6,100	(4,339)
Miscellaneous	-	-	-
	89,567	67,060	(40,155)
Recreation:			
Salaries	55,021	24,192	(28,063)
Payroll tax	-	1,878	(2,166)
Supplies and tools	-	1,040	(607)
Utilities	-	3,800	(732)
Repairs and maintenance	-	1,650	(47,967)
	55,021	32,560	(79,535)
Public Housing:			
THDA grant	8,974	-	(8,974)
	8,974	-	(8,974)
Debt service:			
Principal	-	1,275	1,275
Interest	-	69	69
	1,344	-	1,344
Total expenditures	417,307	332,055	(182,043)
Excess (deficiency) of revenues over (under) expenditures	221,468	231,207	(52,465) (283,672)
Net change in fund balances	\$ -	\$ -	\$ (52,465) \$ (52,465)
Fund balances - beginning			324,427
Fund balances - ending			\$ 271,962

City of Sneedville, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Sanitation Fund
For the Year Ended June 30, 2023

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 74,000	\$ 74,959	\$ 72,276	\$ (2,683)
Miscellaneous revenues	30	-	-	-
Investment earnings	-	180	265	85
Total revenues	74,030	75,139	72,542	(2,597)
Expenditures				
Salaries and benefits	71,187	30,655	31,633	(978)
Payroll tax	-	7,187	6,381	806
Repair and maintenance	-	4,500	4,100	400
Operating supplies	-	31,900	36,413	(4,513)
Insurance	-	827	827	-
Utilities	-	1,531	1,659	(128)
Debt service:				
Principal	-	6,093	6,076	17
Interest	-	2,343	2,360	(17)
Total expenditures	-	85,036	89,448	(4,412)
Net change in fund balances	\$ 74,030	\$ (9,897)	\$ (16,907)	\$ (7,010)
Fund balances - beginning			<u>61,279</u>	
Fund balances - ending			<u>\$ 44,372</u>	

City of Sneedville, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
State Street Aid Fund
For the Year Ended June 30, 2023

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 51,500	\$ 51,500	\$ 36,162	\$ (15,338)
Other revenues	-	-	-	-
Investment earnings	30	134	291	157
Total revenues	51,530	51,634	36,453	(15,181)
Expenditures				
Street improvements	37,500	17,000	15,693	1,307
Street lighting	-	5,500	16,987	(11,487)
Debt service	-	-	-	-
Total expenditures	37,500	22,500	32,680	(10,180)
Net change in fund balances	\$ 14,030	\$ 29,134	3,773	\$ (25,361)
Fund balances - beginning			71,188	
Fund balances - ending			\$ 74,961	

City of Sneedville, Tennessee
Statement of Net Position
Proprietary Fund
June 30, 2023

Sewer Fund

ASSETS

Current assets:

Cash and cash equivalents	\$ 243,590
Investments	8,870
Receivables, customers, net	60,838
Due from other governments	-
Restricted assets:	
Cash and cash equivalents	38,423
Total current assets	<u>351,722</u>

Noncurrent assets:

Capital assets not being depreciated	1,640,019
Capital assets being depreciated	7,097,389
Less: accumulated depreciation	(3,160,646)
Total noncurrent assets	<u>5,576,762</u>
Total assets	<u>5,928,483</u>

LIABILITIES

Current liabilities:

Accounts payable	4,074
Accrued liabilities	106
Bonds payable, current	17,920
Total current liabilities	<u>22,100</u>

Noncurrent liabilities:

Revenue bonds payable, net of current portion	553,570
Total noncurrent liabilities	<u>553,570</u>
Total liabilities	<u>575,670</u>

NET POSITION

Net investment in capital assets	5,005,272
Restricted for debt service	38,423
Unrestricted	309,118
Total net position	<u>\$ 5,352,813</u>

See notes to the financial statements.

City of Sneedville, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Position - Proprietary Fund
For the Year Ended June 30, 2023

	Sewer Fund
Operating Revenues	
Charges for services	\$ 363,785
Other operating revenues	-
Total operating revenues	<u>363,785</u>
Operating Expenses	
Repairs and maintenance	35,183
Contractual services	58,980
Office expense	3,922
Supplies	13,049
Insurance	8,508
Utilities	47,569
Depreciation	<u>135,893</u>
Total operating expenses	<u>303,104</u>
Operating income (loss)	60,681
Nonoperating Revenues (Expenses)	
Interest income	954
Bond interest	<u>(16,079)</u>
Total nonoperating revenues (expenses)	<u>(15,125)</u>
Income (loss) before capital contributions	45,556
Capital grant	<u>234,109</u>
Change in net position	279,665
Net Position - Beginning	<u>5,073,148</u>
Net Position - Ending	<u>\$ 5,352,813</u>

See notes to the financial statements.

City of Sneedville, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2023

Cash Flows from Operating Activities	Sewer Fund
Cash received from customers	\$ 340,433
Cash paid to suppliers of goods and services	(171,432)
Net cash provided by operating activities	<u>169,001</u>
Cash Flows from Capital and Related Financing Activities	
Acquisitions of capital assets	(253,493)
Proceeds from capital grants	234,109
Interest paid on capital debt	(17,920)
Principal paid on capital debt	<u>(121,653)</u>
Net cash used by capital and related financing activities	<u>(158,957)</u>
Cash Flows from Investing Activities	
Interest received	954
Net cash provided by investing activities	<u>954</u>
Net increase (decrease) in cash	10,998
Cash, beginning of year	<u>232,592</u>
Cash, end of year	<u>\$ 243,590</u>
Reconciliation of Operating Income to Net Cash Provided by Operations	
Operating Income (loss)	\$ 60,681
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	135,893
(Increase) decrease in accounts receivable	(23,352)
(Increase) decrease in due from other govts	-
Increase (decrease) in accounts payable & accrued liabilities	<u>(4,221)</u>
Net cash provided by operating activities	<u>\$ 169,001</u>

See notes to the financial statements.

CITY OF SNEEDVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The City of Sneedville, Tennessee (the City) was originally incorporated in 1850, with its charter renewed to reflect legislation passed in the 2022 session of the Tennessee General Assembly. The City operates under a Mayor-Councilman form of government and provides the following services as authorized by its charter: general administrative services, public safety, highways and streets, sanitation, recreation, and sewer services. As required by generally accepted accounting principles, these financial statements present all funds which comprise the City.

The financial statements of the City of Sneedville have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

The basic criteria for determining whether another governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes (1) the appointment of a voting majority of the organization's governing body, (2) the ability of the primary government to impose its will on the organization, or (3) if there is a financial benefit/burden relationship. In addition, an organization that is fiscally dependent on the primary government should be included in its reporting entity.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) 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 instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported in separate columns in the fund financial statements; nonmajor funds are combined in a single column.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial

CITY OF SNEEDVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

statements. Accordingly, all long-term assets, receivables, long-term debt, and other obligations are recognized in the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions, and (3) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

Expenses are allocated among various City functions including administrative overhead charges allocated by the general fund to various City functions. As a rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental Fund Financials

Governmental fund financial statements are reported using the current financial focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded only when payment is due.

Intergovernmental 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.

The City has presented all major funds that met the quantitative or qualitative requirements to be reported as a major fund as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

CITY OF SNEEDVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Sanitation Fund – This fund is used to account for the revenues and expenditures for solid waste services to its citizens.

State Street Aid -This fund is used to account for the maintenance and safety of all on state streets in the City. Revenues are provided from a portion of the State of Tennessee gasoline and motor fuel tax.

Since the government funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided that explains the transition from one basis of accounting to another.

Proprietary Fund Financial Statements

The focus of the proprietary fund measurement is upon determination of operating income, changes in net position and cash flows. Proprietary 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 a proprietary fund's principal ongoing operations.

The principal operating revenues of the sewer fund are charges to customers for services. Operating expenses for the enterprise fund includes the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major proprietary fund:

Sewer Fund – accounts for wastewater services provided to customers of the system.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budget and Budgetary Accounting

The City's fiscal operating year begins July 1st. An annual operating budget is adopted by the Board of Mayor and Aldermen prior to the commencement of the fiscal year. The budget is legally enacted through the passage of an ordinance which also sets the tax rate. Any revision that alters the total appropriations of any fund requires approval by the Board. The budgetary basis is consistent with GAAP.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost and consist primarily of cash on hand, demand deposits, savings accounts, and certificates of deposit having an original maturity of three months or less. For purposes of the statement of cash flows, the City considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

CITY OF SNEEDVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Investments consist of certificates of deposit, which are valued at cost and have an original maturity of greater than three months. State statutes authorize the City to invest in certificates of deposits, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements and the state's investment pool.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets used in governmental fund operations are accounted for as capital outlay expenditures. Capital assets are defined by the City as assets with an initial, individual cost of \$2,500 or more and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed 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 the asset lives are not capitalized.

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

Buildings	20-50 years
Infrastructure	15-20 years
Machinery, Equipment, & Vehicles	5-15 years

Receivables

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

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

Interfund Receivables, Payables, and Transfers

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/to other funds" (i.e. the current portion of inter-fund loans). Any residual balances outstanding between the governmental

CITY OF SNEEDVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Unused vacation leave is reported as an accrual in the government-wide and proprietary financial statements.

Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized straight-line over the life of the bonds that are reported net with bonds payable. Bond issue costs are expensed as 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position and Fund Balance – In the government-wide financial statements, equity is classified as net position and displayed in three components:

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

Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislations.

Unrestricted net position – all other net position that does not meet the definition of restricted or net investment in capital assets.

Net Position Flow Assumptions

If the City decides to fund outlays from both restricted and unrestricted resources, the City's policy is to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Governmental funds report fund balances in classifications that consist of a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications consist of the following five components, as applicable:

CITY OF SNEEDVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Nonspendable - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted - represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed – represents amounts that the Council has the authority to commit for a specific purpose. Any funds set aside as committed fund balance requires, at a minimum, the passage of a resolution by a simple majority vote. An ordinance may also be used.

Assigned - represents amounts the Council has the authority to set aside for the intended use of a specific purpose. Any funds set aside as assigned fund balance requires a simple majority vote and must be recorded in the minutes.

Unassigned - represents amounts that are not classified as nonspendable, restricted, committed, or assigned.

Fund Balance Flow Assumptions

If the City decides to fund outlays from both restricted and unrestricted resources, the City's policy is to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. When components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations in Individual Funds

For the year ended June 30, 2023, the City had an excess of expenditures over appropriations in the following funds:

General Fund	\$182,043
Sanitation Fund	\$4,412
State Street Aid	\$10,180
Senior Center	\$2,036

NOTE 3 – CASH AND CASH INVESTMENTS

The City has no formal deposit and investment policies other than those prescribed by State of Tennessee statute and explained below.

Policies: Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by Federal Deposit Insurance Corporation Insurance (FDIC). Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

CITY OF SNEEDVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Deposits: As of June 30, 2023, all of the City's deposits were held by financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks in the bank collateral pool determine the aggregate balance of their public fund accounts. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held. Collected securities required to be pledged by the participant 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 individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under the additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk disclosure.

Investments: As of June 30, 2023, the City also held certificates of deposit with initial maturities of greater than three months which have been classified as investments. The certificates of deposit are invested with banks participating in the state bank collateral pool.

NOTE 4 - RECEIVABLES

Receivables as of June 30, 2023, including the applicable allowances for uncollectible accounts are as follows:

	State Street				
	General	Sanitation	Aid	Sewer	Total
Receivables					
Accounts	\$ 7,896	\$ 7,955	\$ -	\$ 132,947	\$ 148,798
Due from Other Governments					
State of Tennessee	<u>34,022</u>	-	<u>3,924</u>	-	<u>37,946</u>
Gross Receivables	41,918	7,955	3,924	132,947	186,744
Less: Allowance for Uncollectible	-	(2,237)	-	(72,109)	(74,346)
Total Receivables	<u>\$ 41,918</u>	<u>\$ 5,718</u>	<u>\$ 3,924</u>	<u>\$ 60,838</u>	<u>\$ 112,398</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2023 is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 9,202
State Street Aid Fund	<u>9,202</u>	-
	<u><u>\$ 9,202</u></u>	<u><u>\$ 9,202</u></u>

CITY OF SNEEDVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances will be repaid within one year.

NOTE 6 - CAPITAL ASSETS

A summary of changes in capital assets as presented in the governmental and business-type activities for the year ended June 30, 2023, is as follows:

Governmental Activities

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	\$ 262,501	\$ -	\$ -	\$ 262,501
Total Not Being Depreciated	262,501	-	-	262,501
<u>Capital assets being depreciated:</u>				
Buildings	298,561	-	-	298,561
Improvements	359,518	-	-	359,518
Machinery and equipment	622,594	-	-	622,594
Infrastructure	1,145,251	-	-	1,145,251
Total Being Depreciated	2,425,924	-	-	2,425,924
<u>Less: Accumulated Depreciation</u>	(1,263,890)	(67,924)	-	(1,331,814)
Net Capital Assets Being Depreciated	1,162,034	(67,924)	-	1,094,110
Net Capital Assets	\$ 1,424,535	\$ (67,924)	\$ -	\$ 1,356,611

CITY OF SNEEDVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	\$ 27,637	\$ -	\$ -	\$ 27,637
Construction in progress	1,358,889	253,493	- -	1,612,382
Total Not Being Depreciated	1,386,526	253,493	- -	1,640,019
<u>Capital assets being depreciated:</u>				
Utility plant and lines	6,885,662	- -	- -	6,885,662
Machinery, equipment & vehicles	211,727	- -	- -	211,727
Total Being Depreciated	7,097,389	- -	- -	7,097,389
<u>Less: Accumulated Depreciation</u>	(3,024,754)	(135,893)	- -	(3,160,647)
Net Capital Assets Being Depreciated	4,072,635	(135,893)	- -	3,936,742
Net Capital Assets	<u>\$ 5,459,161</u>	<u>\$ 117,600</u>	<u>\$ - -</u>	<u>\$ 5,576,761</u>

Depreciation was charged to functions/programs as follows:

Governmental activities:

General government	\$ 35,456
Public safety	4,554
Public works	220
Highways and streets	13,737
Recreation	4,249
Senior citizens	731
Sanitation	8,976
Total depreciation expense, governmental activities	<u>\$ 67,923</u>

Business-type activities:

Sewer system total depreciation expense	<u>\$ 135,893</u>
---	-------------------

NOTE 7 - LONG-TERM OBLIGATIONS

Long-Term Debt

Capital Outlay Notes and Revenue Bonds

The City issues capital outlay notes to provide funds for the acquisition of equipment and construction of major capital facilities for the primary government.

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. All current capital outlay notes are from direct borrowings through the informal bid process as

CITY OF SNEEDVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

approved by the Tennessee Comptroller of the Treasury. All capital outlay notes included in long-term debt as of June 30, 2023, will be retired from the General Fund.

Sewer revenue & tax bonds are issued pledging the revenue of the Sneedville Sewer system and the full faith and credit of the government. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt.

Debt outstanding as of June 30, 2023, consisted of the following:

	Principal Balance
<u>Governmental Activities</u>	
General Obligation Bonds, Series 2017, Rural Development, original amount \$100,000 at 3.25% maturing 2033	68,758
Capital Outlay Note Payable, Series 2020, original amount \$125,000 at 3.45% maturing 2023	56
Total governmental activities long-term debt	<u>\$ 68,814</u>
<u>Business-Type Activities</u>	
Sewer Revenue & Tax Bonds, Series 1991, Rural Development, original amount \$150,000 at 5.0% maturing 2030	46,092
Sewer Revenue & Tax Bonds, Series 2015, original amount \$375,000 at 2.75% maturing 2054	325,905
Sewer Revenue & Tax Bonds, Series 2020, original amount \$209,000 at 1.125% maturing 2060	199,116
Capital Outlay Note Payable, Series 2020, original amount \$95,000 at 3.45% maturing 2023	377
Total business-type activities long-term debt	<u>\$ 571,490</u>

CITY OF SNEEDVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Governmental fund debt service requirements for long-term debt are as follows:

Years Ending	Principal	Interest
June 30		
2024	6,293	2,143
2025	6,501	1,935
2026	6,715	1,721
2027	6,936	1,500
2028	7,166	1,270
2029-2033	<u>35,203</u>	<u>2,759</u>
Total	<u><u>\$ 68,814</u></u>	<u><u>\$ 11,328</u></u>

Business-Type Activities debt service requirements to maturity for revenue bonds payable are as follows:

Years Ending	Principal	Interest
June 30		
2024	17,931	13,364
2025	18,517	12,784
2026	19,121	12,180
2027	19,748	11,554
2028	20,383	10,901
2029-2033	<u>75,977</u>	<u>46,671</u>
2034-2038	<u>73,606</u>	<u>38,595</u>
2039-2043	<u>82,236</u>	<u>29,964</u>
2044-2048	<u>92,008</u>	<u>20,192</u>
2049-2053	<u>103,086</u>	<u>9,114</u>
2054-2058	<u>32,650</u>	<u>1,797</u>
2059-2060	<u>16,227</u>	<u>199</u>
Total	<u><u>\$ 571,490</u></u>	<u><u>\$ 207,315</u></u>

CITY OF SNEEDVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

A summary of long-term liability activity, including debt, for the year ended June 30, 2023, is as follows:

	<u>Balance July 1 2022</u>		<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30 2023</u>	<u>Amounts Due Within One Year</u>
Governmental Activities						
<i>Notes from Direct Borrowings</i>						
General Obligation Bonds payable	\$ 74,907	\$ -	\$ (6,149)	\$ 68,758	\$ 6,237	
Capital outlay note payable	43,091	-	(43,035)	56	56	
<i>Total notes from direct borrowings</i>	<u>117,998</u>	<u>-</u>	<u>(49,184)</u>	<u>68,814</u>	<u>6,293</u>	
Compensated absences	3,395	-	-	3,395	-	
Total long-term obligations	<u>121,393</u>	<u>-</u>	<u>(49,184)</u>	<u>72,209</u>	<u>6,293</u>	
Business-type Activities						
Sewer Revenue & Tax bonds	610,695	-	(39,582)	571,113	17,554	
Capital outlay note payable	32,837	-	(32,460)	377	377	
Total long-term debt	<u>\$ 643,532</u>	<u>\$ -</u>	<u>\$ (72,042)</u>	<u>\$ 571,490</u>	<u>\$ 17,931</u>	

NOTE 8 – DEFICIT FUND BALANCE

The City's Senior Citizen Fund had a deficit fund balance at June 30, 2023 of \$1,519. The City will continue to monitor the Senior Citizen Fund and seek additional fund sources to continue operations.

NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of losses related to worker's compensation claims; limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, auto liability, errors and omissions, worker's compensation, and physical damage coverage. The City joined the Tennessee Municipal League Risk Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The City pays annual premiums to the Pool for its general, auto, and errors and omissions policies. The City's premiums are calculated based on its prior claim history. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded the coverage provided by the Pool in any of the past three years.

NOTE 10 - COMMITMENTS, CONCENTRATIONS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time; although, the City's management expects such amounts, if any, to be immaterial.

CITY OF SNEEDVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

The City is party to various legal proceedings, which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the effected funds of the City.

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 29, 2024, which is the date the financial statements were available to be issued.

City of Sneedville, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue Funds		Total
	Senior Citizens	Drug	Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ (1,450)	\$ 495	\$ (955)
Accounts receivable	-	-	-
Due from other funds	-	-	-
Total assets	\$ (1,450)	\$ 495	\$ (955)
LIABILITIES			
Accounts payable	\$ 69	\$ -	\$ 69
Accrued payroll and payroll liabilities	-	-	-
Total liabilities	69	-	69
FUND BALANCES			
Restricted:			
State Street Aid			
Senior citizens	-	-	-
Drug control	-	495	495
Unassigned	(1,519)	-	(1,519)
Total fund balances	(1,519)	-	(1,024)
Total liabilities and fund balances	\$ (1,450)	\$ -	\$ (955)

City of Sneedville, Tennessee
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Senior Citizens	Drug	Total Nonmajor Governmental Funds
Revenues			
Intergovernmental	\$ 17,902	\$ -	\$ 17,902
Other revenues	14,453	-	14,453
Interest earnings	-	-	-
Total revenues	<u>32,355</u>	-	<u>32,355</u>
Expenditures			
Senior citizens	39,444	-	39,444
Total expenditures	<u>39,444</u>	-	<u>39,444</u>
Net change in fund balances	(7,089)	-	(7,089)
Fund balance - beginning	<u>5,570</u>	495	<u>6,065</u>
Fund balance - ending	<u>\$ (1,519)</u>	<u>\$ 495</u>	<u>\$ (1,024)</u>

City of Sneedville, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Senior Citizens Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget -
				Positive (Negative)
REVENUES				
Intergovernmental Revenues	\$ -	\$ 3,800	\$ 11,171	\$ 7,371
Grants from Local Units	8,600	21,774	6,731	(15,043)
In-Kind Rent	-	5,321	5,321	-
Other Revenues	23,269	-	158	158
Total Revenues	31,869	30,895	23,381	(7,514)
EXPENDITURES				
Contractual Services	5,000	5,000	6,474	(1,474)
Salaries & Wages	10,057	10,057	10,241	(184)
OASI	769	769	660	109
Workers Comp	110	110	110	-
Unemployment Insurance	16	16	22	(6)
Insurance	1,009	1,009	1,009	-
Utilities & Telephone	7,308	7,526	7,780	(254)
Travel	2,300	2,300	2,127	173
Office Supplies	500	500	202	298
Operating Supplies/Other Expenses	4,800	4,800	5,498	(698)
In-Kind Rent	-	5,321	5,321	-
Total Expenditures	31,869	37,408	39,444	(2,036)
Other Financing Sources & (Uses):				
Transfers from Other Funds	-	9,132	8,974	(158)
Net Change in Fund Balance	-	2,619	(7,089)	(9,708)
Fund Balance - Beginning	5,570	5,570	5,570	-
Fund Balance - Ending	\$ 5,570	\$ 8,189	\$ (1,519)	\$ (9,708)

City of Sneedville, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Drug Fund
For the Year Ended June 30, 2023

	Budget			Variance With Final Budget
	Original	Final	Actual	
Revenues				
Drug related fines	\$ -	\$ -	\$ -	\$ -
Interest earned	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
<u>Drug Investigation and Control</u>				
Supplies	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning				495
Fund balances - ending				<u>\$ 495</u>

CITY OF SNEEDVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2023

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	ASSISTANCE LISTING NUMBER	CONTRACT NO.	EXPENDITURES
<u>STATE FINANCIAL ASSISTANCE</u>			
Tennessee Commission on Aging & Disability State Senior Center Operations	N/A		3,171
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE		\$	3,171

CITY OF SNEEDVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL ASSISTANCE
YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	ASSISTANCE LISTING NUMBER	CONTRACT NO.	EXPENDITURES
<u>FEDERAL AWARDS</u>			
U.S. Department of Housing and Urban Development			
Passed through TN Dept of Economic & Community Development:			
CDBG 2018 Sewer System Improvements	14.228	33004-96718	234,109
U.S. Department of Health & Human Services			
Passed through TN Commission on Aging & Disability			
Title IIIB Older Americans Act	93.044	N/A	8,000
Total U.S. Department of Health & Human Services			8,000
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 242,109

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the City under programs of the federal government for the fiscal year ended June 30, 2023.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reporting on the accrual basis of accounting.

NOTE C: INDIRECT COST

The City has not elected to use the 10% de minimis indirect costs allocation option.

City of Sneedville, Tennessee
 Schedule of Changes in Long-term Debt by Individual Issue
 June 30, 2023

Description of Indebtedness	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	Outstanding 6/30/2023
Governmental Activities								
Bonds Payable								
General Obligation Bonds, Series 2017	\$ 100,000	3.25%	2017	2033	74,907	-	(6,149)	68,758
Total Bonds Payable					74,907	-	(6,149)	68,758
Notes Payable								
Capital Outlay Note Payable, Series 2020	\$ 125,000	3.45%	2020	2023	43,091	-	(43,035)	56
Total Governmental Activities					\$ 117,998	\$ -	\$ (49,184)	\$ 68,814
Business Activities								
Bonds Payable								
Sewer Revenue & Tax Bonds, Series 1991	\$ 150,000	5.00%	1991	2030	52,458	-	(6,366)	46,092
Sewer Revenue & Tax Bonds, Series 2015	\$ 375,000	2.75%	2015	2054	332,775	-	(6,870)	325,905
Sewer Revenue & Tax Bonds, Series 2020	\$ 209,000	1.125%	2021	2060	203,354	-	(4,238)	199,116
Total Bonds Payable					588,587	-	(17,474)	571,113
Notes Payable								
Capital Outlay Note Payable, Series 2020	\$ 95,000	3.45%	2020	2023	32,837	-	(32,460)	377
Total Business Activities					\$ 621,424	\$ -	\$ (49,934)	\$ 571,490

City of Sneedville, Tennessee
Schedule of Principal and Interest Requirements
Governmental Funds
June 30, 2023

Fiscal Year	General Obligation Bonds		Capital Outlay Note Series		Totals	
	Series 2017		2020			
	Principal	Interest	Principal	Interest	Principal	Interest
2024	6,237	2,143	56		6,293	2,143
2025	6,501	1,935			6,501	1,935
2026	6,715	1,721			6,715	1,721
2027	6,936	1,500			6,936	1,500
2028	7,166	1,270			7,166	1,270
2029	7,400	1,036			7,400	1,036
2030	7,646	790			7,646	790
2031	7,898	538			7,898	538
2032	8,158	278			8,158	278
2033	4,101	117			4,101	117
Totals	\$ 68,758	\$ 11,328	\$ 56	\$ -	\$ 68,814	\$ 11,328

City of Sneedville, Tennessee
Schedule of Principal and Interest Requirements
Business-Type Activities
June 30, 2023

Fiscal Year	Sewer Revenue & Tax Bonds, Series 2021		Sewer Revenue & Tax Bonds, Series 1991		Sewer Revenue & Tax Bonds, Series 2015				Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	4,288	2,216	6,209	2,269	7,057	8,879	377	-	17,931	13,364
2025	4,337	2,167	6,927	1,934	7,253	8,683	-	-	18,517	12,784
2026	4,386	2,118	7,280	1,581	7,455	8,481	-	-	19,121	12,180
2027	4,435	2,069	7,652	1,210	7,661	8,275	-	-	19,748	11,554
2028	4,485	2,019	8,023	821	7,875	8,061	-	-	20,383	10,901
2029	4,536	1,968	8,433	411	8,093	7,843	-	-	21,062	10,222
2030	4,587	1,917	1,568	36	8,318	7,618	-	-	14,473	9,571
2031	4,639	1,865	-	-	8,550	7,386	-	-	13,189	9,251
2032	4,692	1,812	-	-	8,787	7,149	-	-	13,479	8,961
2033	4,745	1,759	-	-	9,029	6,907	-	-	13,774	8,666
2034	4,799	1,705	-	-	9,282	6,654	-	-	14,081	8,359
2035	4,853	1,651	-	-	9,540	6,396	-	-	14,393	8,047
2036	4,908	1,596	-	-	9,805	6,131	-	-	14,713	7,727
2037	4,963	1,541	-	-	10,078	5,858	-	-	15,041	7,399
2038	5,020	1,485	-	-	10,358	5,578	-	-	15,378	7,063
2039	5,076	1,428	-	-	10,646	5,290	-	-	15,722	6,718
2040	5,134	1,370	-	-	10,942	4,994	-	-	16,076	6,364
2041	5,192	1,312	-	-	11,246	4,690	-	-	16,438	6,002
2042	5,251	1,253	-	-	11,559	4,377	-	-	16,810	5,630
2043	5,310	1,194	-	-	11,880	4,056	-	-	17,190	5,250
2044	5,370	1,134	-	-	12,211	3,725	-	-	17,581	4,859
2045	5,431	1,073	-	-	12,550	3,386	-	-	17,981	4,459
2046	5,492	1,012	-	-	12,899	3,037	-	-	18,391	4,049
2047	5,554	950	-	-	13,258	2,678	-	-	18,812	3,628
2048	5,617	887	-	-	13,626	2,310	-	-	19,243	3,197
2049	5,681	823	-	-	14,005	1,931	-	-	19,686	2,754
2050	5,745	759	-	-	14,395	1,541	-	-	20,140	2,300
2051	5,810	694	-	-	14,795	1,141	-	-	20,605	1,835
2052	5,876	628	-	-	15,207	729	-	-	21,083	1,357
2053	5,942	562	-	-	15,630	306	-	-	21,572	868
2054	6,010	495	-	-	1,915	11	-	-	7,925	506
2055	6,077	427	-	-	-	-	-	-	6,077	427
2056	6,146	358	-	-	-	-	-	-	6,146	358
2057	6,216	288	-	-	-	-	-	-	6,216	288
2058	6,286	218	-	-	-	-	-	-	6,286	218
2059	6,357	147	-	-	-	-	-	-	6,357	147
2060	9,870	52	-	-	-	-	-	-	9,870	52
Totals	199,116	44,952	46,092	8,262	325,905	154,101	377	-	571,490	207,315

City of Sneedville, Tennessee
Schedule of Utility Rate Structure and Number of Customers
June 30, 2023

SEWER CUSTOMER RATES

First 1,000 gallons

Residential	\$ 11.98	Minimum Bill
Commercial	\$ 22.67	Minimum Bill
Industrial	\$ 104.63	Minimum Bill

Next 1,000 gallons

Residential	\$ 10.23	per 1,000 gallons
Commercial	\$ 10.16	per 1,000 gallons
Industrial	\$ 11.49	per 1,000 gallons

Over 3,000 gallons

Commercial	\$ 7.95	per 1,000 gallons
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NUMBER OF CUSTOMERS

Residential	327
Commercial	131
Industrial	15
	473

DAVID M. ELLIS

Certified Public Accountant

*Member, American Institute of
Certified Public Accountants*

*Member, Tennessee Society of
Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Mayor and Aldermen
City of Sneedville
Sneedville, Tennessee

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Sneedville, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Sneedville, Tennessee's basic financial statements, and have issued my report thereon dated July 29, 2024.

Report on Internal Control over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 that I considered to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sneedville, Tennessee's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2023-003, 2023-004 and 2023-005.

City of Sneedville, Tennessee's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Sneedville, Tennessee's response to the findings identified in my audit and described in the accompanying schedule of findings and responses. City of Sneedville, Tennessee's response was not subjected to the auditing procedures applied in the other audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of This Report

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



David M. Ellis, CPA
Greeneville, Tennessee
July 29, 2024

CITY OF SNEEDVILLE, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2023

2023-001 Fund Budgeting

Condition: For the year ending June 30, 2023, because of the lack of control over accounting processes that code expenditures based on an approved budget, those from the General Fund, Sanitation, State Street Aid and Senior Center exceeded final budgeted expenditures by \$182,043 in the General Fund, \$4,412 in the Sanitation Fund, \$10,180 in the State Street Aid Fund and \$2,036 in the Senior Center Fund.

Criteria: Tennessee Code Annotated 6-56-203 states:

“Therefore, notwithstanding any other provision of law, no municipality may expend any moneys regardless of their source, including moneys derived from bond and long-term note proceeds, federal, state or private grants or loans, or special assessments, except in accordance with a budget ordinance adopted under this section or through a proprietary type fund or a fiduciary type fund properly excluded from the budget.”

Cause: Oversight/error

Recommendation: Expenditures should be coded individually in the general ledger accounts such that actual to budget expenditure comparisons can be made at each meeting, to identify which line items are likely to exceed approved amounts. Budget amendments should be timely made to authorize additional expenditures.

Response and Corrective Action Plan: The budget was amended, however the lack of appropriate coding in the process generated erroneous numbers. Steps will be taken to ensure compliance in the budgeting and reporting areas.

2023-002 Timely Submission of Budget

Condition: For the year ending June 30, 2023, budgets were not approved by the board until after the year ended and were not submitted timely to the Tennessee Comptroller of the Treasury.

Criteria: Tennessee Budget Manual for Local Governments states:

“Prior to the beginning of each fiscal year, a local government should adopt a budget that meets all legal and program requirements and email it, with the other required documents described below, to the Division of Local Government Finance at LGF@cot.tn.gov within 15 days after adoption.”

Cause: Oversight/error

Recommendation: The budget should be established prior to the beginning of the fiscal year and submitted to the Tennessee Comptroller of the Treasury on a timely basis.

Response and Corrective Action Plan: Management agrees with the finding.

2023-003 Late Audit

Condition: For the year ending June 30, 2023, the City failed to file audited financial statements with the Comptroller’s office in a timely manner.

CITY OF SNEEDVILLE, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2023

Criteria: Tennessee Code Annotated 6-56-105 states:

“(e) All such audits must be completed as soon as practicable after the end the fiscal year of the municipality.”

Cause: Oversight/error

Recommendation: Future audited financial statements should be submitted to the Tennessee Comptroller of the Treasury on a timely basis.

Response and Corrective Action Plan: Management agrees with the finding and steps will be taken to ensure compliance with State law.

2023-004 Inadequate oversight of payroll timecards

Condition: For the year ending June 30, 2023, there were instances in which management did not indicate their review of timecards by a signature.

Criteria: Payroll should be properly supported and authorized.

Cause: Lack of management review of timecards.

Recommendation: Timecards should be reviewed and approved by signature of department supervisors.

Response and Corrective Action Plan: Management agrees with the finding.

2023-005 Failure to Implement Cyber Security Plan

Condition: The City failed to implement a Cyber Security Plan by the implementation date. A written plan was not available to read, review, or document compliance.

Criteria: TCA Sections 7-51-2301 et seq. were added by 112th General Assembly, Public Chapter 1111, effective June 1, 2022. This law amends sections of TCA to require certain utilities to prepare and implement a cyber security plan to provide for the protection of the utility's facilities from unauthorized use, alteration, ransom, or destruction of electronic data.

Cause: The City was not able to implement a Cyber Security plan by the required date due to new management during the year.

Effect: Without adequate security measures in place, the City leaves itself vulnerable to data breaches and public safety of the drinking water.

Recommendation: The City should design and implement a Cyber Security policy as soon as possible.

Management's Comments: Management has begun the discussion about the need for an effective Cyber Security Plan and a written document will be implemented as soon as possible.

City of Sneedville, Tennessee

Schedule of Prior Year Findings and Questioned Costs

June 30, 2023

Prior Year Finding Number	Title of Finding	Status/Current Year Finding Number
2022-001	Fund Budgeting (original finding #2021-001)	Repeated 2023-001
2022-002	Timely Submission of Budget (original finding #2020-004)	Repeated 2023-002
2022-003	Late Audit (original finding #2020-005)	Repeated 2023-003
2022-004	Inadequate oversight of payroll timecards (original finding #2022-004)	Repeated 2023-004
2022-005	Audit Adjustments Were Required for Proper Financial Statement Presentation (original finding #2022-005)	Corrected

CITY OF SNEEDVILLE

**P.O. Box 377/ 292 JAIL ST
Sneedville, TN 37869**

**ATTORNEY MAYOR VICE-MAYOR COUNCILMAN COUNCILMAN COUNCILMAN COUNCILMAN
FLOYD RHEA STEVEN HARRISON MYSHONE COLLINS JANET COLLINS MIKE GIBSON WILLIAM RILEY KENNY REED**

CITY HALL: 423-733-2254 FAX: 423-733-4112

GAIL COLLINS: Sneedvillecityhall@yahoo.com

July 29, 2024

CITY OF SNEEDVILLE, TENNESSEE MANAGEMENT'S CORRECTIVE ACTION PLAN For the Year Ended June 30, 2023

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

Name and address of independent public accounting firm:

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

Audit Period: June 30, 2023

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

Corrective Action:

Findings 2023-001:

Fund Budgeting

Name of contact person:

Gail Collins, City Recorder

Corrective action:

The City intends to amend the budget prior to Unauthorized expenditure. Steps will be taken To ensure compliance in the budgeting and Reporting areas

Anticipated Completion Date:

July 29, 2024

Findings 2023-002:

Timely Submission of Budget

Name of contact person:

Gail Collins, City Recorder

Corrective action:

The City intends to submit the required Documents within 15 days after adoption Pursuant to Tennessee Budget Manual for Local Government

Anticipated Completion Date:

July 29, 2024

Findings 2023-03:

Name of contact person:

Gail Collins, City Recorder

Corrective action:

The City intends to submit the audit within Six months following the fiscal year end Pursuant to Tennessee Comptroller of the Treasury Audit Manual

Anticipated Completion Date:

July 29, 2024

Findings 2023-04:

Name of contact person:

Gail Collins, City Recorder

Corrective action:

The City department supervisors will Review and sign off on all time cards

Anticipated Completion Date:

July 29, 2024

Findings 2023-05:

Name of contact person:

Gail Collins, City Recorder

Corrective action:

Management has begun discussion about the Need for an effective Cyber Security Plan And a written document will be implemented As soon as possible.

Anticipated Completion Date:

July 29, 2024



Steve Johnson
Mayor