

CITY OF SUNBRIGHT, TENNESSEE
Sunbright, Tennessee
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2023



CITY OF SUNBRIGHT, TENNESSEE

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INTRODUCTORY SECTION

CITY OF SUNBRIGHT, TENNESSEE

ROSTER OF CITY OFFICIALS

June 30, 2023

ELECTED OFFICIALS

Mayor Karen Melton

Aldermen Buddy Tharp
James Gilreath

APPOINTED OFFICIAL

City Recorder Cheryl Collins, CMFO

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Board of the Mayor and Aldermen
City of Sunbright
Sunbright, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and budgetary comparison statements of the general fund and the state street aid fund of the City of Sunbright, Tennessee (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows, thereof, and the budgetary comparison statements of the general 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

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 doubt the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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TSCPA
Members of the Tennessee
Society
Of Certified Public Accountants

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, misrepresentation, 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 GAAS and *Government Auditing Standards*, we:

- 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's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages v - x 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental information as listed in the table of contents and the schedule of expenditures of federal awards and state financial assistance on pages 26 - 27 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 records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplemental information as listed in the table of contents and the schedule of expenditures of federal awards and state financial assistance on pages 26 - 27 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 introductory section as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023, on our consideration of the City's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control over financial reporting and compliance.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 11, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Sunbright, Tennessee, (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.

Financial Highlights Governmental Funds

Management believes the City's financial position is stable. The following are key financial highlights:

- The assets of the City exceeded its liabilities plus deferred inflows of resources at fiscal year-end 2023 by \$1,952,170 (net position). Of this amount, \$761,342 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$802,573, of which \$754,522 is unrestricted fund balance.
- During the current year, fund balance for the General Fund increased by \$229,283 to \$754,521.
- During the current year, restricted fund balance for the State Street Aid Fund increased by \$3,083 to \$48,051.
- During the current year, net position for the Sewer fund decreased by \$6,495.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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. All governmental and business-type activities are combined to arrive at a total for the Primary Government. There are two government-wide statements, the statement of net position and the statement of activities, which are described below.

The statement of net position presents information on all of the City's assets and liabilities plus deferred inflows, 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 changes in the financial position of the City. It is important to note that this statement combines the governmental fund's current financial resources (short-term) with capital assets and long-term liabilities.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) 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 City include general government, public safety, highway and streets, and public welfare. The business-type activities include sewer services provided by the Sewer Fund.

The government-wide financial statements can be found on pages 1 - 2 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 for specific activities or objectives. The 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 City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Governmental fund statements are provided on a modified accrual basis. The City's major funds are presented in their own columns, and the remaining funds are combined in a single column.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements, including reconciliation to the government-wide statements of net position and activities, are presented on pages 3 - 9 of this report.

Proprietary Funds - The City maintains one type of proprietary fund. Enterprise funds are a type of proprietary fund used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its sewer operations in the Sewer Fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 10 - 12.

Notes to 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 13 - 21 of this report.

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 City, assets exceed liabilities and deferred inflows of resources by \$1,952,170 as of June 30, 2023.

By far the largest portion of the City's net position (59%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Sunbright, Tennessee uses these capital assets to provide services to citizens: consequently, these assets are not available for future spending.

**City of Sunbright, Tennessee
Condensed Statement of Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Assets						
Current and Other Assets	\$ 1,025,177	\$ 722,664	\$ 102,510	\$ 113,023	\$ 1,127,687	\$ 835,687
Capital Assets, Net	524,817	526,785	617,960	613,942	1,142,777	1,140,727
Total Assets	\$ 1,549,994	\$ 1,249,449	\$ 720,470	\$ 726,965	\$ 2,270,464	\$ 1,976,414
Liabilities, Deferred Inflows and Net Position						
Liabilities						
Current Liabilities	\$ 31,310	\$ 31,517	\$ 2,465	\$ 2,465	\$ 33,775	\$ 33,982
Long-Term Liabilities	82,013	93,127	0	0	82,013	93,127
Total Liabilities	113,323	124,644	2,465	2,465	115,788	127,109
Deferred Inflows of Resources	202,506	131,772	0	0	202,506	131,772
Net Position						
Investment in Capital Assets	524,817	526,785	617,960	613,942	1,142,777	1,140,727
Restricted	48,051	44,968	0	0	48,051	44,968
Unrestricted	661,297	421,280	100,045	110,558	761,342	531,838
Total Net Position	1,234,165	993,033	718,005	724,500	1,952,170	1,717,533
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,549,994	\$ 1,249,449	\$ 720,470	\$ 726,965	\$ 2,270,464	\$ 1,976,414

An additional portion of the City's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$761,342 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City 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 fiscal year.

The net position of the City's business-type activities decreased by 1% from \$724,500 in 2022 to \$718,005 in 2023. The City generally can only use this net position to finance the continuing operations of the sewer department.

City of Sunbright, Tennessee
Condensed Statement of Activities

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Charges for Services	\$ 0	\$ 0	\$ 39,067	\$ 38,325	\$ 39,067	\$ 38,325
Operating Grants and Contributions	221,765	28,725	0	0	221,765	28,725
Capital Grants and Contributions	0	298,551	0	0	0	298,551
General Revenues:						
Property Taxes	60,100	47,713	0	0	60,100	47,713
Other Taxes	231,176	239,885	0	0	231,176	239,885
Other	11,643	26,695	0	0	11,643	26,695
Total Revenues	<u>524,684</u>	<u>641,569</u>	<u>39,067</u>	<u>38,325</u>	<u>563,751</u>	<u>679,894</u>
Program Expenses:						
General Government	133,972	135,271	0	0	133,972	135,271
Public Safety	54,214	53,161	0	0	54,214	53,161
Highways and Streets	15,960	43,036	0	0	15,960	43,036
Public Welfare	75,935	71,002	0	0	75,935	71,002
Interest on Long-Term Debt	3,471	3,875	0	0	3,471	3,875
Sewer	0	0	45,562	56,029	45,562	56,029
Total Program Expenses	<u>283,552</u>	<u>306,345</u>	<u>45,562</u>	<u>56,029</u>	<u>329,114</u>	<u>362,374</u>
Change in Net Position	241,132	335,224	(6,495)	(17,704)	234,637	317,520
Net Position - Beginning of Year	993,033	657,809	724,500	742,204	1,717,533	1,400,013
Net Position - End of Year	<u>\$ 1,234,165</u>	<u>\$ 993,033</u>	<u>\$ 718,005</u>	<u>\$ 724,500</u>	<u>\$ 1,952,170</u>	<u>\$ 1,717,533</u>

Governmental Activities:

During 2023, the City's governmental activities revenues decreased by \$116,886 when compared to 2022, due primarily to a decrease of \$298,551 in capital grants and contributions used for the purchase of a fire truck in the 2022 fiscal year. During 2023, the City's governmental activities expenses decreased by \$22,793 when compared to 2022 primarily due to reduction in highway and streets expenses.

Business-Type Activities:

The Sewer Fund reported a net decrease in net position of \$6,495 and \$17,704 during 2023 and 2022, respectively.

Financial Analysis of the Government's Funds

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

Governmental Funds - The focus of the City's governmental funds is to provide information on 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.

At 2023 year-end, the City's governmental funds reported combined ending fund balances of \$802,572, which increased by \$232,366 when compared to year-end 2022.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$754,521. The unassigned fund balance represents 273% of total General Fund 2023 expenditures.

The General Fund's fund balance increased by \$229,283 during 2023. A key factor in this increase was the receipt of insurance recoveries related to storm damage to City Hall.

The State Street Aid Fund's fund balance increased by \$3,083 during 2023. This result was primarily due to a reduction in expenses.

Proprietary Funds - The City's proprietary fund (Sewer Fund) provides the same type of information found in the government-wide financial statements, but in more detail.

Net position at year-end for 2023 was \$718,005, a decrease of \$6,495. This decrease was caused by a current year operating loss of \$6,495. Total operating expenses were \$45,562. Depreciation of \$30,709 represents approximately 67% of total operating expenses. The City did not increase sewer rates from fiscal year 2022 to 2023.

The Sewer Fund financial statements can be found on pages 10 - 12 in the basic financial statements.

General Fund Budgetary Highlights

The differences in the original budget and the final amended budget represents a 27% decrease of the original budget. This was primarily due to incurring less expenditures than anticipated.

Capital Asset and Debt Administration

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2023, was \$1,142,776, net of accumulated depreciation. Capital assets consist of land, buildings, vehicles, equipment, and sewer plant.

During 2023, there were additions of \$73,498; including additions of \$26,782 for a sewer lift station, \$17,969 for a mower and \$28,654 for the purchase of various building improvements and equipment items.

Capital assets are as follows:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Land	\$ 24,017	\$ 24,017	\$ 0	\$ 0	\$ 24,017	\$ 24,017
Buildings	471,009	469,509	0	0	471,009	469,509
Vehicles	333,440	333,440	0	0	333,440	333,440
Equipment	246,949	209,679	10,655	10,655	257,604	220,334
Sewer Plant	0	0	1,242,208	1,207,480	1,242,208	1,207,480
Total Capital Assets	1,075,415	1,036,645	1,252,863	1,218,135	2,328,278	2,254,780
Less: Accumulated Depreciation	550,598	509,860	634,903	604,193	1,185,501	1,114,053
Net Capital Assets	\$ 524,817	\$ 526,785	\$ 617,960	\$ 613,942	\$ 1,142,777	\$ 1,140,727
Net Capital Assets - Beginning	\$ 526,785	\$ 244,313	\$ 613,942	\$ 640,363	\$ 1,140,727	\$ 884,676
Increase/(Decrease) in Net Capital Assets	(1,968)	282,472	4,018	(26,421)	2,050	256,051
Net Capital Assets - Ending	\$ 524,817	\$ 526,785	\$ 617,960	\$ 613,942	\$ 1,142,777	\$ 1,140,727

More information on the City's capital assets can be found in Note 5 to the financial statements.

Long-Term Debt - At June 30, 2023, the City had total debt outstanding of \$93,224, a decrease of \$10,734 from 2022. This debt is secured by the full faith and credit of the City. The City's long-term debt as of June 30, 2023 is as follows:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Note Series 2020	\$ 93,224	\$ 103,958	\$ 0	\$ 0	\$ 93,224	\$ 103,958

More detailed information about the City's debt activity for 2023 can be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The General Fund revenue estimates for next year (fiscal year ended June 30, 2024) were projected with a decrease of approximately 9%.

The Sewer Fund budget for next year was prepared using a projected operating revenue increase of approximately 5%.

The Board of Mayor and Aldermen approved a final budget for the fiscal year ending June 30, 2024.

Request for Information

This financial report is designed to provide a general overview of the City of Sunbright, Tennessee's finances for all with interest in the city's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the administrative offices of the City of Sunbright, Tennessee at 120 Melton Drive, Sunbright, TN 37872 or by telephone at (423) 628-5260.

CITY OF SUNBRIGHT, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 884,784	\$ 98,432	\$ 983,216
Restricted Cash:			
State Street Aid Fund	47,727	0	47,727
Receivables (Net of Allowance for Uncollectibles):			
Accounts Receivable	4,351	4,078	8,429
Due from Other Governments	25,524	0	25,524
Property Tax Receivable, Net	62,791	0	62,791
Capital Assets:			
Nondepreciable	24,017	0	24,017
Depreciable, Net of Accumulated Depreciation	500,800	617,960	1,118,760
Total Capital Assets, Net of Depreciation	524,817	617,960	1,142,777
Total Assets	1,549,994	720,470	2,270,464
LIABILITIES			
Accounts Payable and Other Current Liabilities	20,099	2,465	22,564
Long-Term Liabilities:			
Due Within One Year	11,211	0	11,211
Due in More Than One Year			
Long-Term Note Payable	82,013	0	82,013
Total Liabilities	113,323	2,465	115,788
DEFERRED INFLOWS OF RESOURCES			
Deferred Tax Revenue	59,652	0	59,652
Grant Received in Advance	142,854	0	142,854
Total Deferred Inflows of Resources	202,506	0	202,506
NET POSITION			
Investment in Capital Assets	524,817	617,960	1,142,777
Restricted for Highways and Streets	48,051	0	48,051
Unrestricted	661,297	100,045	761,342
Total Net Position	\$ 1,234,165	\$ 718,005	\$ 1,952,170

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

CITY OF SUNBRIGHT, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 133,972	\$ 0	\$ 202,722	\$ 0	\$ 68,750	\$ 0	\$ 68,750
Public Safety	54,214	0	0	0	(54,214)	0	(54,214)
Highways and Streets	15,960	0	19,043	0	3,083	0	3,083
Public Welfare	75,935	0	0	0	(75,935)	0	(75,935)
Interest and Fees on Long-Term Debt	3,471	0	0	0	(3,471)	0	(3,471)
Total Governmental Activities	283,552	0	221,765	0	(61,787)	0	(61,787)
Business-Type Activities:							
Sewer Fund	45,562	39,067	0	0	0	(6,495)	(6,495)
Total Government	\$ 329,114	\$ 39,067	\$ 221,765	\$ 0	(61,787)	(6,495)	(68,282)
					Property Taxes	0	60,100
					Local Sales Tax	0	137,529
					Wholesale Beer Tax	0	25,193
					Local Option Sales Tax	0	61,486
					In-Lieu of Tax	0	6,240
					State Income Tax	0	728
					Interest Income	0	1,096
					Other Revenues	0	10,547
					Total General Revenues	0	302,919
					Change in Net Position	(6,495)	234,637
					Net Position, Beginning of Year	724,500	1,717,533
					Net Position, End of Year	\$ 718,005	\$ 1,952,170

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

CITY OF SUNBRIGHT, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2023

	General Fund	State Street Aid Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 884,784	\$ 47,727	\$ 932,511
Property Taxes Receivable, Net	62,791	0	62,791
Accounts Receivable	4,351	0	4,351
Due From Other Governments	<u>21,990</u>	<u>3,534</u>	<u>25,524</u>
TOTAL ASSETS	<u>\$ 973,916</u>	<u>\$ 51,261</u>	<u>\$ 1,025,177</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 11,665	\$ 3,210	\$ 14,875
Accrued Payroll Liabilities	4,878	0	4,878
Accrued Interest	<u>346</u>	<u>0</u>	<u>346</u>
Total Liabilities	<u>16,889</u>	<u>3,210</u>	<u>20,099</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Taxes	59,652	0	59,652
Grant Received in Advance	<u>142,854</u>	<u>0</u>	<u>142,854</u>
Total Deferred Inflows of Resources	<u>202,506</u>	<u>0</u>	<u>202,506</u>
FUND BALANCES			
Restricted:			
State Street Aid Fund	0	48,051	48,051
Unassigned	<u>754,521</u>	<u>0</u>	<u>754,521</u>
Total Fund Balances	<u>754,521</u>	<u>48,051</u>	<u>802,572</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 973,916</u>	<u>\$ 51,261</u>	<u>\$ 1,025,177</u>

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

CITY OF SUNBRIGHT, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

June 30, 2023

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

Total Fund Balances for Governmental Funds	\$	802,572
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

Capital Assets	\$	1,075,415	
Less: Accumulated Depreciation		<u>(550,598)</u>	
Net Capital Assets			524,817

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Capital Outlay Note		<u>(93,224)</u>	
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Net Position of Governmental Activities	\$	<u><u>1,234,165</u></u>
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CITY OF SUNBRIGHT, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2023

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 60,100	\$ 0	\$ 60,100
Local Sales Tax	137,529	0	137,529
Wholesale Beer Taxes	25,193	0	25,193
Cable TV Franchise Fee	2,626	0	2,626
Local Option Sales Taxes	61,486	0	61,486
In-Lieu of Tax Payments	6,240	0	6,240
State Income Taxes	728	0	728
State Street Aid	0	19,043	19,043
Grant Income	15,382	0	15,382
Interest Income	1,096	0	1,096
Other Revenue	7,921	0	7,921
Total Revenues	<u>318,301</u>	<u>19,043</u>	<u>337,344</u>
EXPENDITURES			
General Government	101,709	0	101,709
Public Safety	36,756	0	36,756
Public Welfare	73,213	0	73,213
Highways and Streets	0	15,960	15,960
Capital Outlay	50,474	0	50,474
Debt Service:			
Principal	10,734	0	10,734
Interest	3,471	0	3,471
Total Expenditures	<u>276,357</u>	<u>15,960</u>	<u>292,317</u>
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES (USES)	<u>41,944</u>	<u>3,083</u>	<u>45,027</u>
OTHER FINANCING SOURCES (USES)			
Insurance Recoveries	<u>187,339</u>	<u>0</u>	<u>187,339</u>
Total Other Financing Sources (Uses)	<u>187,339</u>	<u>0</u>	<u>187,339</u>
NET CHANGE IN FUND BALANCE	229,283	3,083	232,366
FUND BALANCE, BEGINNING OF YEAR	<u>525,238</u>	<u>44,968</u>	<u>570,206</u>
FUND BALANCE, END OF YEAR	<u>\$ 754,521</u>	<u>\$ 48,051</u>	<u>\$ 802,572</u>

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

CITY OF SUNBRIGHT, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2023

Amounts reported for governmental activities in the statement of activities are different due to:

Net Change in Fund Balance - Total Governmental Funds \$ 232,366

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 in the current period.

Capital Assets Purchased	\$ 38,770	
Depreciation Expense	<u>(40,738)</u>	
Net Change in Capital Assets		(1,968)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal Payments on Note Payable		<u>10,734</u>
Change in Net Position of Governmental Activities	\$	<u><u>241,132</u></u>

CITY OF SUNBRIGHT, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

For the Fiscal Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes:				
Property Taxes	\$ 56,000	\$ 59,088	\$ 60,100	\$ 1,012
Local Sales Tax	142,000	141,982	137,529	(4,453)
Wholesale Beer Taxes	22,500	24,421	25,193	772
Cable TV Franchise Fee	2,750	2,549	2,626	77
Local Option Sales Taxes	63,000	56,522	61,486	4,964
In-Lieu of Tax Payments	4,000	4,680	6,240	1,560
State Income Taxes	0	873	728	(145)
Grant Income	76,997	18,219	15,382	(2,837)
Interest Income	40	920	1,096	176
Other Revenue	15,500	7,008	7,921	913
Total Revenues	382,787	316,262	318,301	2,039
EXPENDITURES				
General Government:				
Salaries	23,700	23,856	24,235	(379)
Payroll Taxes	6,700	6,682	6,687	(5)
Postage	300	145	211	(66)
Telephone	4,200	5,013	4,858	155
Utilities	9,000	10,525	11,815	(1,290)
Accounting and Legal	13,100	13,400	13,400	0
Dues	850	1,120	1,370	(250)
Insurance	10,700	11,981	11,637	344
Publications and Advertising	1,800	1,109	1,436	(327)
Miscellaneous	2,750	4,696	851	3,845
Repairs and Maintenance	15,000	9,903	12,614	(2,711)
Office Supplies	3,200	7,011	9,623	(2,612)
Library	7,000	3,596	2,972	624
Total General Government	98,300	99,037	101,709	(2,672)

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

CITY OF SUNBRIGHT, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Continued)

GENERAL FUND

For the Fiscal Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
EXPENDITURES (Continued)				
Public Welfare:				
Salary	48,000	58,481	57,764	717
Fuel	12,000	9,982	8,250	1,732
Supplies	3,500	273	226	47
Repair and Maintenance	5,500	307	0	307
Meals	1,600	4,278	4,225	53
Miscellaneous	5,400	2,754	2,748	6
Total Public Welfare	<u>76,000</u>	<u>76,075</u>	<u>73,213</u>	<u>2,862</u>
Public Safety:				
Utilities	2,400	1,786	1,756	30
Police Protection Contract	35,000	35,000	35,000	0
Total Public Safety	<u>37,400</u>	<u>36,786</u>	<u>36,756</u>	<u>30</u>
Capital Outlay	<u>154,887</u>	<u>54,046</u>	<u>50,474</u>	<u>3,572</u>
Debt Service:				
Note Principal	13,000	10,794	10,734	60
Interest Expense	3,200	3,531	3,471	60
Total Debt Service	<u>16,200</u>	<u>14,325</u>	<u>14,205</u>	<u>120</u>
TOTAL EXPENDITURES	<u>382,787</u>	<u>280,269</u>	<u>276,357</u>	<u>3,912</u>
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>35,993</u>	<u>41,944</u>	<u>(5,951)</u>
OTHER FINANCING SOURCES (USES)				
Insurance Recoveries	0	0	187,339	187,339
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>187,339</u>	<u>187,339</u>
NET CHANGE IN FUND BALANCE	0	35,993	229,283	193,290
FUND BALANCE, BEGINNING OF YEAR	<u>525,238</u>	<u>525,238</u>	<u>525,238</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 525,238</u>	<u>\$ 561,231</u>	<u>\$ 754,521</u>	<u>\$ 193,290</u>

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

CITY OF SUNBRIGHT, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

STATE STREET AID FUND

For the Fiscal Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES				
State Gas and Motor Fuel Tax	\$ 21,000	\$ 18,894	\$ 19,043	\$ 149
EXPENDITURES				
Highways and Streets				
Street Lighting	10,000	9,422	9,323	99
Vehicle Operations	500	0	1,764	(1,764)
Miscellaneous Expenditures	2,500	2,956	2,011	945
Equipment Purchase	5,000	0	0	0
Paving and Road Repair	3,000	2,369	2,862	(493)
Total Highways and Streets	<u>21,000</u>	<u>14,747</u>	<u>15,960</u>	<u>(1,213)</u>
NET CHANGE IN FUND BALANCE	0	4,147	3,083	(1,064)
FUND BALANCE, BEGINNING OF YEAR	<u>44,968</u>	<u>44,968</u>	<u>44,968</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 44,968</u>	<u>\$ 49,115</u>	<u>\$ 48,051</u>	<u>\$ (1,064)</u>

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

CITY OF SUNBRIGHT, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUND - SEWER FUND
June 30, 2023

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 98,432
Accounts Receivable, Net	<u>4,078</u>
Total Current Assets	<u>102,510</u>
Capital Assets	
Sewer Plant	1,242,208
Equipment	<u>10,655</u>
	1,252,863
Less: Accumulated Depreciation	<u>(634,903)</u>
Total Capital Assets	<u>617,960</u>
Total Noncurrent Assets	<u>617,960</u>
TOTAL ASSETS	<u>\$ 720,470</u>

LIABILITIES AND NET POSITION

Current Liabilities	
Accounts Payable	\$ <u>2,465</u>
Total Current Liabilities	<u>2,465</u>
NET POSITION	
Investment in Capital Assets	617,960
Unrestricted	<u>100,045</u>
Total Net Position	<u>718,005</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 720,470</u>

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

CITY OF SUNBRIGHT, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
PROPRIETARY FUND - SEWER FUND
For the Fiscal Year Ended June 30, 2023

OPERATING REVENUES	
Sewer Charges	\$ <u>39,067</u>
Total Operating Revenues	<u>39,067</u>
OPERATING EXPENSES	
Utilities	9,534
Repairs and Maintenance	3,634
Other	1,685
Depreciation	<u>30,709</u>
Total Operating Expenses	<u>45,562</u>
OPERATING INCOME (LOSS)	<u>(6,495)</u>
CHANGE IN NET POSITION	(6,495)
NET POSITION, BEGINNING OF YEAR	<u>724,500</u>
NET POSITION, END OF YEAR	<u><u>\$ 718,005</u></u>

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

CITY OF SUNBRIGHT, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - SEWER FUND
For the Fiscal Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Collections from Customers	\$ 39,383
Payments to Suppliers	<u>(14,853)</u>
Net Cash Used in Operating Activities	<u>24,530</u>
 CASH FLOW FROM CAPITAL AND OTHER RELATED ACTIVITIES	
Acquisition of Capital Assets	<u>(34,726)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	(10,196)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>108,629</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 98,433</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET	
CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Loss	\$ (6,495)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation and Amortization	30,709
Changes in Operating Assets and Liabilities	
(Increase) Decrease in Assets:	
Accounts Receivable	<u>316</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 24,530</u></u>

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

CITY OF SUNBRIGHT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) REPORTING ENTITY

The City of Sunbright, Tennessee (the City) was incorporated under TCA 6-18-011 et. seq. on October 12, 1990. The City operates under a mayor and Board of Alderman form of government and provides the following services as authorized by its charter; highways and streets, parks, fire protection, sewer and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) followed in the United States of America. The Governmental Accounting Standards Board (GASB) is the established and recognized standard-setting body for governmental accounting and financial reporting. The GASB periodically issues new or revised standards that are implemented by the City. The City has no component units.

(B) GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets as well as long-term obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal year.

The government-wide statement of activities demonstrates the degree to which the direct expenses, including depreciation, of the various departments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department. Interest on general long-term debt and depreciation expense on assets shared by multiple departments are not allocated to the various departments. Program revenues include revenues from fines and forfeitures, licenses and permit fees, special assessment taxes, certain intergovernmental grants, other entities participation and charges for services. Taxes and other items not properly included among program revenues are reported as general revenues.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The fund financial statements' emphasis is on the major funds in either the governmental or business-type categories. Non-major funds are summarized into a single column.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) BASIS OF PRESENTATION

The City uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid in the City's financial management by segregating transactions related to certain functions or activities. The following categories are used by the City:

Governmental Fund Types

Governmental funds are those through which most of the governmental functions of the City are financed. The focus of Governmental Fund measurement, in the fund financial statements, is upon determination of financial position and changes in financial position rather than upon net income. Governmental funds include the following fund types:

General Fund: The General Fund is the principal fund of the City and is used to account for all activities of the City not included in other specified funds. The General Fund accounts for the normal recurring activities of the City.

State Street Aid Fund: This fund is used to account for the City's share of motor fuel tax revenues and special state grants that are legally restricted to the maintenance of state highways within the City's boundaries.

Proprietary Fund Types

Proprietary funds are used to account for the City's ongoing operations and activities, which are similar to those often found in the private sector. The focus of proprietary fund measurement is upon the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds include the following fund types:

Enterprise Funds: Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The following enterprise fund is used by the City:

Sewer Fund: The Sewer Fund accounts for the activities of the sewer department, which operates and maintains a sewer collection system for residents and businesses on a user charge basis. This fund is presented as a major fund in the basic financial statements.

(D) MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the source and use of liquid resources, and 3) demonstrate how the City's actual experience conforms to the annual budget. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" is defined as collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(D) MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (Continued)

Revenues susceptible to accrual include property tax, local sales tax, state-shared sales tax, highway user tax, franchise fees, and interest earned on pooled investments. Licenses and permits, charges for services, fines and forfeitures and miscellaneous revenues are generally recorded as revenues when received in cash because they are not measurable until actually received. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for a specific purpose or project before any amounts will be paid to the City; therefore, revenues are based upon the expenditures recorded. In the other, monies are virtually unrestricted as to the purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The City reports deferred revenues in the governmental funds if the potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Since the governmental fund financial statements are presented on a basis different than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

Amounts reported as program revenue include 1) charges to customers or users who purchase, use or directly benefit from goods or services provided by a particular department, 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular department, and 3) capital grants and contributions that are restricted. Taxes, investment income and other revenues not identifiable with a particular department are included as general revenues. The general revenues support the net costs of the departments not covered by program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services of the fund's principal ongoing operations. Operating expenses include the cost of providing the goods and services, administrative expenses, and depreciation on capital assets. Non-operating revenues and expenses are items such as investment income and interest expense, which are not a result of the direct operations of the activity.

(E) ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCES

Cash Equivalents - Cash and cash equivalents with original maturities of three months or less when purchased are considered to be cash equivalents.

Receivables - All receivables are shown net of an allowance for uncollectible accounts.

Interfund Transactions - Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statement of net position as internal balances (due to/from other activities). Exceptions to this general rule are charges for service provided by the City's Sewer Fund (business-type activities) to other functions (governmental activities) of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Transactions between funds that are outstanding at year-end are presented as interfund receivables and payables. These interfund transactions are expected to be liquidated within the next 12 months. In addition, these interfund receivables and payables have not been eliminated in the accompanying fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCES (Continued)

Capital Assets - Capital assets, including public domain infrastructure (e.g. roads, bridges, sidewalks, and culverts), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated acquisition value at the date of donation. Capital assets received in a service concession arrangement are reported at estimated acquisition value. The City's capitalization threshold is \$1,500. Depreciation on capital assets has been recorded using the straight-line method over estimated useful lives ranging from 3 to 50 years.

The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend its life are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Deferred Outflows of Resources/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and therefore, will not be recognized as an outflow of resources (expense/ expenditure) until then. The City does not have any items that qualify for reporting this category. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences - The City's policy permits employees to accumulate earned but unused vacation benefits, employees can accumulate up to 160 hours, based on length of service. The City employees had no unused vacation at June 30, 2023. The City offers no sick leave to their employees.

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 or business-type activities fund type. Debt premiums and discounts are deferred and amortized over the life of the debt. Debt payable is reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, in the period in which the debt is issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCES (Continued)

Net Position and Fund Balance - Government-wide and proprietary fund net position is classified into three components: "Net investment in capital assets" consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. "Restricted" net position is noncapital net assets that must be used for a particular purpose as specified by creditors, grantors, or contributors external to the City. "Unrestricted" net position is remaining net position that does not meet the definition of the other two categories.

Governmental fund equity is classified as fund balance. The City follows GASB Statement No. 54, *Fund Balance and Governmental Fund Type Definitions*. Under this statement fund balances are classified into the following categories:

- a. Non-spendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted fund balances comprise those amounts constrained to be used for a specific purpose by external parties, constitutional provisions or enabling legislation.
- c. Committed fund balances comprise those amounts that are self-imposed restrictions can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the Board of Mayor and Alderman – the City's highest level of decision-making authority. Those committed amounts cannot be used for other purposes unless the Board of Mayor and Alderman removes the specified use by formal ordinance.
- d. Assigned fund balances consist of amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted policy, intent can be authorized, and funds therefore assigned by formal resolution of the Board of Mayor and Alderman – the City's highest level of decision-making authority.
- e. Unassigned fund balances consist of excess funds that have not been classified in the previous categories. The general fund is the only governmental fund that reports positive unassigned fund balance.

The Board of Mayor and Alderman has retained the authority to assign funds for specific purposes. When both restricted and unrestricted funds are available for expenditure, restricted funds are spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditure, committed funds are spent first, assigned funds next, and unassigned funds last.

Use of Estimates - The preparation of basic financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain amounts in the financial statements and/or accompanying footnotes related to June 30, 2022 balances may have been reclassified in order to be consistent with their classification for June 30, 2023.

Adoption of New Accounting Standard - The City has adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. It (1) defines a SBITA; (2) established that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The Statement's effect on the financial statements was insignificant.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) BUDGETARY INFORMATION

The City is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not exceed appropriations authorized by the Mayor and the Board of Aldermen and any authorized revisions. Budgetary appropriations which are not expended lapse at year-end. While appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executor contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, State Street Aid Fund, and the Sewer Fund.

The government's department heads are authorized to make transfers of appropriations within the department. Transfers of appropriations between departments require the approval of the board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

(B) SUPPLEMENTAL APPROPRIATIONS

The following revisions were made to the original fiscal 2023 budgeted expenditures and other financing uses by additional appropriations for the following major governmental funds:

Fund	Original Budget	Revisions	Final Budget
General Fund	\$ 382,787	\$ (102,518)	\$ 280,269
State Street Aid	21,000	(6,253)	14,747

NOTE 3 - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Credit Risk - Deposits - Various state statutes restrict the types of deposits available to the City. Deposits are limited to bank demand deposits; certificates of deposits, governmental overnight repurchase accounts and the State Local Government Investment Pool (SLGIP).

Custodial Credit Risk - Deposits - Tennessee Code Annotated (TCA) §9-1-107 requires the City to secure deposits by having banks pledge governmental securities as collateral. The state statute requires collateral whose market value is equal to 105% of the deposit, less the amount protected by the Federal Deposit Insurance Corporation (FDIC). In lieu of pledged collateral, the bank may participate in the bank collateral pool as administered by the Tennessee State Treasurer. Banks that participate in the bank collateral pool may use one of three different security pledge levels (90%, 100%, 105%) depending on the specific bank holding the deposit. Participating banks determine the aggregate balance of their public fund accounts for the City. 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 individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency.

At June 30, 2023, the book balances of the City's cash deposits totaled \$1,030,942 and the bank balances totaled \$1,031,794 (\$435,760 of which was covered by FDIC Insurance and \$596,034 which was insured by the Tennessee Bank Collateral Pool Board of the State of Tennessee Treasury Department).

NOTE 4 - PROPERTY TAX

The City's property taxes are assessed on January 1, levied (billed) on October 1, and become delinquent on March 1. The Morgan County property tax assessor provides the property assessments and bills and collects on behalf of the City. Property taxes attach as an enforceable lien on property after one year of delinquency. The City's tax rate for the year ended June 30, 2023, was \$0.50 per \$100 of assessed value.

According to GASB Statement No. 33, *Accounting for Financial Reporting for Non-Exchange Transactions*, the City is required to record a property tax receivable on the assessment date January 1. However, the revenue is not recognized until the billing date of October 1, which is in the next fiscal year.

The amount of property taxes receivable recorded as deferred revenue at June 30, 2023, was \$59,652.

NOTE 5 - CAPITAL ASSETS

A summary of capital asset activity for the City's governmental activities for the fiscal year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 24,017	\$ 0	\$ 0	\$ 24,017
Total Capital Assets, Not Being Depreciated	<u>24,017</u>	<u>0</u>	<u>0</u>	<u>24,017</u>
Capital Assets, Being Depreciated:				
Buildings	469,509	1,500	0	471,009
Vehicles	333,440	0	0	333,440
Equipment	209,679	37,270	0	246,949
Total Capital Assets, Being Depreciated	<u>1,012,628</u>	<u>38,770</u>	<u>0</u>	<u>1,051,398</u>
Less Accumulated Depreciation for:				
Buildings	(286,277)	(10,981)	0	(297,258)
Vehicles	(51,032)	(18,158)	0	(69,190)
Equipment	(172,551)	(11,599)	0	(184,150)
Total Accumulated Depreciation	<u>(509,860)</u>	<u>(40,738)</u>	<u>0</u>	<u>(550,598)</u>
Total Capital Assets, Being Depreciated, Net	<u>502,768</u>	<u>(1,968)</u>	<u>0</u>	<u>500,800</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 526,785</u>	<u>\$ (1,968)</u>	<u>\$ 0</u>	<u>\$ 524,817</u>

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions in the government-wide financial statement as follows:

General Government	\$ 20,558
Public Safety	17,458
Public Welfare	<u>2,722</u>
	<u>\$ 40,738</u>

Capital asset activity for the City's business-type activities for the year ended June 30, 2023, is as follows:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Sewer Plant	\$ 1,207,480	\$ 34,728	\$ 0	\$ 1,242,208
Equipment	<u>10,655</u>	<u>0</u>	<u>0</u>	<u>10,655</u>
Total Capital Assets, Being Depreciated	<u>1,218,135</u>	<u>34,728</u>	<u>0</u>	<u>1,252,863</u>
Less Accumulated Depreciation for:				
Sewer Plant	(594,091)	(30,530)	0	(624,621)
Equipment	<u>(10,102)</u>	<u>(180)</u>	<u>0</u>	<u>(10,282)</u>
Total Accumulated Depreciation	<u>(604,193)</u>	<u>(30,710)</u>	<u>0</u>	<u>(634,903)</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 613,942</u>	<u>\$ 4,018</u>	<u>\$ 0</u>	<u>\$ 617,960</u>

NOTE 6 - NOTE PAYABLE AND LONG-TERM LIABILITIES

(A) NOTE PAYABLE

Note Payable (Direct Borrowing) - The City has entered into a loan agreement with a financial institution for a note payable for the General Fund. The note payable outstanding at June 30, 2023 was as follows:

Governmental Activities:

Note Series 2020	
\$120,000 original issue at 3.45% interest rate. Monthly principal and interest payments of \$1,184 through November, 1 2030.	\$ <u>93,224</u>
Current Portion	\$ 11,211
Long Term Portion	<u>82,013</u>
Total	<u>\$ 93,224</u>

On October 13, 2020, the City issued Note Series 2020 in the amount of \$120,000 to provide funds for road and street improvements. The note bears interest at 3.45% and matures on November 1, 2030. The full faith and credit of the City is pledged as collateral for the note.

NOTE 6 - NOTE PAYABLE AND LONG-TERM LIABILITIES (Continued)

The following is a summary of the City's annual debt service requirements as of June 30, 2023:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 11,211	\$ 2,995	\$ 14,206
2025	11,603	2,602	14,205
2026	13,030	2,360	15,390
2027	12,431	1,775	14,206
2028	12,867	1,339	14,206
Thereafter	32,082	1,343	33,425
	<u>\$ 93,224</u>	<u>\$ 12,414</u>	<u>\$ 105,638</u>

(B) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2023:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Due Within One Year
Governmental Activities:					
Capital Outlay Note, Series 2020	\$ <u>103,958</u>	\$ <u>0</u>	\$ <u>10,734</u>	\$ <u>93,224</u>	\$ <u>11,211</u>

NOTE 7 - RISK MANAGEMENT

The City is exposed to various risks of losses related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Because of this exposure, the City purchases commercial insurance for claims arising from these risks of loss. Management does not believe any claims will exceed the insurance amount. Claims have not exceeded insurance coverage in the past three fiscal years.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

In the normal course of conducting its business, the City may be involved in legal proceedings. Due to the nature and scope of the City's business which it brings it into regular contact with the general public, a variety of businesses, and multiple governmental entities which regulate and examine its operations, the City is inherently subject to the hazards of potential litigation, claims and assessments. Additionally, routine examination performed by the City's federal and state oversight agencies could result in findings and violations which have an adverse effect on the City. Currently, management is not aware of any such conditions which would have a material adverse effect on the City.

SUPPLEMENTAL INFORMATION

CITY OF SUNBRIGHT, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
For the Fiscal Year Ended June 30, 2023

Year	Assessment	Rate	Total Levy	Balance Unpaid 7/1/2022	Levy	Adjustments, Collections, Releases and Abatements in Prior Years	Adjustments, Collections, Releases and Abatements in Current Year	Balance Unpaid 6/30/2023
2023	\$ 11,944,734	\$ 0.50	\$ 59,652	\$ 0	\$ 59,652	\$ 0	\$ 0	\$ 59,652
2022	12,091,510	0.50	60,385	60,385	0	0	56,987	3,398
2021	11,553,064	0.50	57,696	3,086	0	53,597	2,540	546
2020	9,437,500	0.60	56,625	562	0	56,214	15	547
2019	9,411,667	0.60	56,470	256	0	54,529	0	256
2018	9,134,333	0.60	54,806	263	0	53,410	5	258
2017	8,913,667	0.60	53,482	72	0	54,606	5	67
2016	9,112,167	0.60	54,673	184	0	54,549	0	67
2015	9,138,167	0.60	54,829	99	0	55,882	99	0
2014	9,331,667	0.60	55,990	73	0	54,415	73	0
2013	9,081,333	0.60	54,488	73	0	51,882	73	0
				<u>\$ 65,053</u>	<u>\$ 59,652</u>	<u>\$ 489,084</u>	<u>\$ 59,797</u>	64,791
							Less: Allowance for Uncollectible	<u>(2,000)</u>
								<u>\$ 62,791</u>

All uncollected taxes have been turned over to the Clerk and Master for collection.

CITY OF SUNBRIGHT, TENNESSEE

SCHEDULE OF UTILITY RATES AND NUMBER OF CUSTOMERS SERVED

SEWER FUND

June 30, 2023

Residential Users		
First 2,000 gallons (minimum billing)	\$	30.97
Over 2,000 gallons (per 1,000 gallons)		6.93
Commercial		
First 2,000 gallons (minimum billing)	\$	40.40
Over 2,000 gallons (per 1,000 gallons)		5.26
\$75 Non-refundable connection fee		
Number of Metered Customers		66

All customers are billed by the Plateau Utility District. The District receives all customer payments and remits the total collection to the City monthly.

CITY OF SUNBRIGHT, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
OF LONG-TERM DEBT

Fiscal Year Ended June 30, 2023

Fiscal Years Ending June 30,	Capital Outlay Note, Series 2020		
	Principal	Interest	Total
2024	\$ 11,211	\$ 2,995	\$ 14,206
2025	11,603	2,602	14,205
2026	13,030	2,360	15,390
2027	12,431	1,775	14,206
2028	12,867	1,339	14,206
Thereafter	<u>32,082</u>	<u>1,343</u>	<u>33,425</u>
	\$ <u>93,224</u>	\$ <u>12,414</u>	\$ <u>105,638</u>

See Independent Auditor's Report.

CITY OF SUNBRIGHT, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

June 30, 2023

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding 07/01/22</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 06/30/23</u>
<u>Notes Payable</u>									
Capital Outlay Note, Series 2020	\$ <u>120,000</u>	3.45%	10/13/2020	11/1/2030	\$ <u>103,958</u>	\$ <u>0</u>	\$ <u>10,734</u>	\$ <u>0</u>	\$ <u>93,224</u>

See Independent Auditor's Report.

**INTERNAL CONTROL
AND
COMPLIANCE SECTION**

CITY OF SUNBRIGHT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor Program	Assistance Listing Number	State / Pass-through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
Federal Awards				
U.S. Department of the Treasury				
Passed through the Tennessee Department of Finance and Administration				
ARPA Coronavirus State and Local Fiscal Recovery Funds	21.027	(1)	\$ 0	\$ 11,142
Total U.S. Department of Housing and Urban Development			<u>0</u>	<u>11,142</u>
Total Federal Awards			<u>0</u>	<u>11,142</u>
State Financial Assistance				
Tennessee Commission on Aging & Disability:				
Senior Centers Grant		N/A	<u>0</u>	<u>8,000</u>
Total Tennessee Commission on Aging & Disability			<u>0</u>	<u>8,000</u>
Tennessee Department of Finance and Administration:				
Governor's Local Government Support Grant		N/A	<u>0</u>	<u>5,684</u>
Total Tennessee Department of Finance and Administration			<u>0</u>	<u>5,684</u>
Total State Financial Assistance			<u>0</u>	<u>13,684</u>
Total Federal Awards and State Financial Assistance			<u>\$ 0</u>	<u>\$ 24,826</u>

(1) Information not available

The accompanying notes to the schedule of expenditures of federal and state financial assistance are an integral part of this schedule.

CITY OF SUNBRIGHT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedule") includes the federal and state grant activity of City of Sunbright (the "City") and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, they are not intended to and do not present the financial position, changes in net position, or cash flows of the City.

Federal Financial Assistance. The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments. Assistance received directly from the Federal government is classified as direct payments on the Schedule.

Pass-through Payments. Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule.

Major Programs. The Single Audit Act Amendments of 1996 and Uniform Guidance establish the criteria to be used in defining major programs. Major programs for the City were defined using a risk-based approach in accordance with Uniform Guidance.

Assistance Listing Number. The Assistance Listing Number (formerly known as Catalog of Federal Domestic Assistance or CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (Assistance Listing Number), which is reflected in the Schedule.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - INDIRECT COST RATE

The City has elected not to use the 10% de minimis indirect rate as allowed under Uniform Guidance.

NOTE 4 - CONTINGENCIES

The federal and state awards received by the government are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, the grantor agency could make a claim for reimbursement.



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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

Board of the Mayor and Aldermen
City of Sunbright, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the budgetary comparisons for the general fund and state street aid fund of the City of Sunbright, 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 Sunbright, Tennessee's basic financial statements and have issued our report thereon dated December 11, 2023.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.



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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sunbright, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2023-001 and 2023-002.

City of Sunbright, Tennessee's Response to Findings

City of Sunbright, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of Sunbright, Tennessee's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 11, 2023

CITY OF SUNBRIGHT, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2023

2023-001 - Sewer Fund Operating Deficit

Criteria or Specific Requirement - Section 7-82-703, Tennessee Code Annotated, states that within sixty (60) days from the time that an audit of a water system or wastewater facility is filed with the comptroller of the treasury, the comptroller of the treasury shall file with the board the audited financial report of any water system or wastewater facility that has a deficit total net position in any one year, has a negative charge in net position for two (2) consecutive years or is currently in default on any of its debt instruments.

Condition - The City's Sewer Fund has had a net decrease in net position for the past three years. The City has been referred to the Water and Wastewater Financing Board as being financially distressed and has been asked to produce a plan to remedy the problem.

Cause and Effect - The City's Mayor and Board of Aldermen are responsible for establishing utility rates or setting policies in the Sewer Fund rates. Costs have increased over the years and no corresponding rate increases have been made. The Sewer Fund will continue to return a deficit until the rates are increased or the fund goes into default.

Recommendations - The Mayor and Board of Aldermen should establish policies and procedures to ensure that the Sewer Fund operations are profitable and that the reserve requirements are established and maintained. These would include rate adjustment and cost cutting measures to ensure that financial health of the fund.

Management's Response - City officials raised rates in fiscal year 2015-2016 by 6%; 10% for 2016-2017; 10% for 2017-2018; 10% for 2018-2019; and 10% for 2019-2020. Management is monitoring this situation and taking action as reasonably possible.

2023-001 - Expenditures Exceed Budget

Criteria or Specific Requirement - Section 6-56-203, Tennessee Code Annotated, states that all money received and expended by a municipality shall be included in a budget ordinance. Therefore, notwithstanding any other provision of law, no municipality may expend moneys regardless of their source, including moneys derived from bond and long-term debt proceeds, federal, state, or private grants or loans, or special assessments, except in accordance with a budget ordinance adopted under this section.

Condition – Actual expenditures in the General Fund and State Street Aid Fund exceeded the amounts appropriated in the budget.

Cause and Effect – Actual expenditures exceed approved appropriations in the General Fund and State Steet Aid Fund. As a result, they City has not complied with Section 6-56-203, Tennessee Code Annotated.

Recommendations – We recommend that officials authorize all expenditures either in the original budget, in an amendment, or in a supplemental appropriation.

Management's Response - We concur with the finding and recommendation. Management will continue to perform detailed monitoring of the budget and expenditures to take appropriate action as needed.



CITY OF SUNBRIGHT

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SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2023

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status / Current Year Finding Number
2022-001	Sewer Fund Operating Deficit	Repeated / 2023-001



CITY OF SUNBRIGHT

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MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2023

2023-001: Sewer Fund Operating Deficit

Contact Person Responsible for Corrective Action: Karen Melton, Mayor

Corrective Action Planned: City officials will continue to monitor expenses and raise service rates as deemed appropriate.

Anticipated Completion Date: On-going. City officials will continue monitoring the situation.

Signature:

2023-002: Expenditures Exceed Budget

Contact Person Responsible for Corrective Action: Karen Melton, Mayor

Corrective Action Planned: We concur with the finding and recommendation. Management will continue to perform detailed monitoring of the budget and expenditures to take appropriate action as needed.

Anticipated Completion Date: June 30, 2024

Signature: