

AUDITED FINANCIAL STATEMENTS

TOWN OF CHAPEL HILL

CHAPEL HILL, TENNESSEE

Year Ended June 30, 2022

TOWN OF CHAPEL HILL, TENNESSEE

TABLE OF CONTENTS

INTRODUCTORY SECTION

Roster of Publicly Elected and Management Officials	1
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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT.....	2 - 4
-----------------------------------	-------

MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 11
--	--------

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Statement of Net Position.....	12
Statement of Activities.....	13

Fund Financial Statements

Major Governmental Funds

Balance Sheet	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	16

Proprietary Funds

Statement of Net Position.....	17
Statement of Revenues, Expenses, and Changes in Net Position.....	18
Statement of Cash Flows	19

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget to Actual Comparison - General Fund	20 - 21
Budget to Actual Comparison - State Street Aid Special Revenue Fund.....	22
Budget to Actual Comparison - Drug Special Revenue Fund.....	23

Notes to Basic Financial Statements.....	24 - 39
--	---------

SUPPLEMENTARY INFORMATION SECTION

Schedule of Intergovernmental Revenues by Source	40
--	----

Schedule of Plant and Equipment - Water, Sewer, and Sanitation Systems.....	41
---	----

Schedule of Changes in Property Taxes Receivable	42
--	----

Schedule of Property Tax Rates and Assessments Last Ten Years.....	43
--	----

Schedule of Water, Sewer and Sanitation Rates in Effect	44
---	----

Schedule of Long-Term Debt Principal and Interest Requirements- Governmental Activities	45
--	----

Schedule of Long-Term Debt and Financed Purchase Obligations Principal and Interest Requirements-Business-Type Activities	46
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TOWN OF CHAPEL HILL, TENNESSEE

TABLE OF CONTENTS (CONTINUED)

Schedule of Changes in Long-Term Debt and Financed Purchase Obligations	
By Individual Issue	47
Schedule of Expenditures of Federal Awards and State Financial Assistance and Notes	48
Independent Auditors' Report on Internal Control over Financial Reporting and on	
Compliance and Other Matters Based on an Audit of Financial Statements Performed	
In Accordance with <i>Government Auditing Standards</i>	49-50
Schedule of Findings and Responses.....	51
Corrective Action Plan	52
Summary Schedule of Prior Year Findings	53

TOWN OF CHAPEL HILL, TENNESSEE
ROSTER OF PUBLICLY ELECTED AND MANAGEMENT OFFICIALS
June 30, 2022

TOWN ADMINISTRATOR

*Amanda Harrington, CMFO-effective 6/2021 through 1/2022
*Danny Bingham-effective 2/2022

RECORDER/TREASURER

Ruth Magallanes-5/2021 through 9/2021
Carolyn McDonald-interim recorder 1/2022
Phillip Dye, CMFO-effective 6/2022

MAYOR

Michael Faulkenberry

ALDERMEN

Marion Joyce
Dorothy Morton
Brian Williams
Joe Sedlak
Dale Brown
Jonathan Gilbert

* Designated with financial oversight responsibility.

PUTMAN & HANCOCK
Certified Public Accountants

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Fayetteville, Tennessee 37334

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INDEPENDENT AUDITORS' REPORT

Board of Mayor and Aldermen
Town of Chapel Hill
Chapel Hill, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Chapel Hill, Tennessee, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Chapel Hill, Tennessee's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Chapel Hill, Tennessee, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, State Street Aid Special Revenue Fund and Drug Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Chapel Hill 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 substantial doubt about the Town of Chapel Hill'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.

Auditors' Responsibility 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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*, 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 Town of Chapel Hill'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 Town of Chapel Hill's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 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 Town of Chapel Hill's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements of the Town of Chapel Hill, Tennessee. 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 our opinion, the 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 roster of publicly elected and management officials listed in the introductory section but does not include the basic financial statements and our auditors' 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 of 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 January 23, 2023 on our consideration of the Town of Chapel Hill'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 Town of Chapel Hill's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Chapel Hill's internal control over financial reporting and compliance.

Putman & Hancock, CPAs

Fayetteville, Tennessee
January 23, 2023



Town of Chapel Hill

Town Hall, 4650 Nashville Highway, P.O. Box 157,
Chapel Hill, TN 37034
Phone (931) 364-7632 Fax (931) 364-3436

Established 1808

As management of the Town of Chapel Hill, Tennessee, (the “Town” or the “Town of Chapel Hill”) we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2022.

Financial Highlights

- The assets of Town of Chapel Hill exceeded its liabilities at the close of the most recent fiscal year by \$9,657,146. Of this amount \$2,511,857 is unrestricted and may be used to meet the government’s ongoing obligations to citizens and creditors.
- The government’s total net position increased by \$1,455,729.
- At the close of the current fiscal year, the Town of Chapel Hill’s governmental funds combined ending fund balances reported was \$907,559, a decrease of \$334,978 in comparison of the previous year. This decrease is due to the purchase of a new fire engine.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$299,340.
- The Town’s total debt obligations decreased by \$169,245.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

The *Statement of Activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise

TOWN OF CHAPEL HILL

Management's Discussion and Analysis (Continued)

to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, compensated absences, etc.).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, and recreation. The business-type activities of the Town are made up of water, sewer, and sanitation.

The government-wide financial statements can be found on pages 12 and 13 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 Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and business-type activities reported in the 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, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of 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 Town's near-term financing decisions. Both the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements can be found on pages 14-16 of this report.

The Town maintains three individual governmental funds. Information is presented separately in the Balance Sheet - Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for the General Fund, State Street Aid Special Revenue Fund and Drug Special Revenue Fund, which are considered to be major funds.

The Town adopts an annual appropriated budget for all governmental funds. Budgetary comparison statements have been provided on pages 20 to 23 of this report.

TOWN OF CHAPEL HILL

Management's Discussion and Analysis (Continued)

Proprietary Funds

The Town maintains two proprietary funds. *Proprietary funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds (a component of proprietary funds) to account for its Water and Sewer Fund and Sanitation Fund.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for the Water and Sewer Fund, which is considered to be a major fund for the Town, and Sanitation Fund.

The basic enterprise fund financial statements can be found on pages 17 to 19 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town of Chapel Hill's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town has no fiduciary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 to 39 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 Town of Chapel Hill, assets exceeded liabilities by \$9,657,146 at the close of the most recent fiscal year.

The largest portion of the Town's net position (72%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF CHAPEL HILL

Management's Discussion and Analysis (Continued)

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$2,137,513	\$ 2,035,791	\$1,880,973	\$ 336,539	\$ 4,018,486	\$2,372,330
Non-depreciable assets	518,123	562,180	422,951	334,451	941,074	896,631
Depreciable assets	3,818,931	3,517,179	4,893,395	5,112,915	8,712,326	8,630,094
Total assets	6,474,567	6,115,150	7,197,319	5,783,905	13,671,886	11,899,055
Long-term liabilities	1,928,423	2,071,423	803,255	829,500	2,731,678	2,900,923
Other	504,686	74,450	146,637	81,258	651,323	155,708
Total liabilities	2,433,109	2,145,873	949,892	910,758	3,383,001	3,056,631
Deferred current property taxes	631,739	641,007	-	-	631,739	641,007
Total deferred inflow of resources	631,739	641,007	-	-	631,739	641,007
Net Position:						
Net investment in capital assets	2,408,631	2,007,936	4,513,091	4,617,866	6,921,722	6,625,802
Restricted	125,052	108,607	98,515	107,167	223,567	215,774
Unrestricted	876,036	1,211,727	1,635,821	148,114	2,511,857	1,359,841
Total net position	\$3,409,719	\$ 3,328,270	\$6,247,427	\$ 4,873,147	\$ 9,657,146	\$8,201,417

An additional portion of the Town's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position representing unrestricted net position (26%) may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the Town as a whole, as well as for its total governmental and total business-type activities.

Comparisons with the prior year data are presented above and on the following page. During the current fiscal year, the Town's net position increased by \$1,455,729. There was an increase of \$81,449 in net position in the governmental activities. There was an increase of \$1,374,280 in net position in the business-type activities.

TOWN OF CHAPEL HILL

Management's Discussion and Analysis (Continued)

CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program revenues:						
Charges for services	\$ 115,626	\$ 39,288	\$ 2,630,602	\$ 1,054,152	\$ 2,746,228	\$ 1,093,440
Operating grants & contributions	144,126	160,237	56,516	-	200,642	160,237
Capital grants & contributions	41,100	-	10,516	2,601	51,616	2,601
General revenues:						
Property taxes	634,548	613,966	-	-	634,548	613,966
Other taxes	1,026,919	896,648	-	-	1,026,919	896,648
Other	69,095	91,919	39,132	28,786	108,227	120,705
Total revenues	2,031,414	1,802,058	2,736,766	1,085,539	4,768,180	2,887,597
Expenses:						
General government	671,395	406,032	-	-	671,395	406,032
Public safety	1,096,188	964,273	-	-	1,096,188	964,273
Recreation	85,612	71,849	-	-	85,612	71,849
Highways and street	96,770	185,186	-	-	96,770	185,186
Water and sewer	-	-	1,242,921	959,245	1,242,921	959,245
Sanitation	-	-	119,565	102,591	119,565	102,591
Total Expenses	1,949,965	1,627,340	1,362,486	1,061,836	3,312,451	2,689,176
Change in net position	81,449	174,718	1,374,280	23,703	1,455,729	198,421
Net position, beginning	3,328,270	3,153,552	4,873,147	4,849,444	8,201,417	8,002,996
Net position, ending	\$ 3,409,719	\$ 3,328,270	\$ 6,247,427	\$ 4,873,147	\$ 9,657,146	\$ 8,201,417

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the Town's governmental funds reported an ending fund balance of \$907,559 a decrease of \$334,978 in comparison with the prior year.

TOWN OF CHAPEL HILL Management's Discussion and Analysis (Continued)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$299,340, which is 33% of the governmental funds. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 13% of total general fund expenditures while the total general fund balance represents 34% of total general fund expenditures.

The fund balance of the Town's general fund decreased by \$351,269 during the current fiscal year due to capital outlay.

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

The Unrestricted net position of the Water and Sewer Fund and Sanitation Fund at the end of the year amounted to \$1,635,821. The combined net position for both funds increased by \$1,374,820. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business type activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investments in capital assets for its governmental and business-type activities as of June 30, 2022, amounts to \$9,653,400 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads and highways.

CAPITAL ASSETS (Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land and construction in progress	\$ 518,123	\$ 562,180	\$ 422,951	\$ 334,451	\$ 941,074	\$ 896,631
Buildings	1,676,989	1,668,158	659,083	691,380	2,336,072	2,359,538
Improvements other than buildings	728,987	752,297	11,740	13,501	740,727	765,798
Machinery and equipment	1,084,439	805,039	119,280	131,302	1,203,719	936,341
Infrastructure	328,516	291,685	4,103,292	4,276,732	4,431,808	4,568,417
Total Capital Assets	\$ 4,337,054	\$ 4,079,359	\$ 5,316,346	\$ 5,447,366	\$ 9,653,400	\$ 9,526,725

TOWN OF CHAPEL HILL

Management's Discussion and Analysis (Continued)

LONG-TERM DEBT

At the end of the current fiscal year, the Town of Chapel Hill had a total debt outstanding of \$2,731,678. The entire amount is comprised of debt backed by the full faith and credit of the General Government. Additionally, \$803,255 of this debt is backed by the revenues of the Water and Sewer System.

OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Bonds	\$1,656,423	\$1,758,423	\$ 719,766	\$ 718,126	\$ 2,376,189	\$ 2,476,549
Capital outlay notes	272,000	313,000	-	1,522	272,000	314,522
Financed purchase obligations	-	-	83,489	109,852	83,489	109,852
	\$1,928,423	\$2,071,423	\$ 803,255	\$ 829,500	\$ 2,731,678	\$ 2,900,923

Information on the Town's long-term debt can be found in Note 4 beginning on page 35 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following factors will be considered in preparing the Town's budget for the 2022-2023 fiscal year:

- Increase in growth of the local economy and property development resulting in a broader tax base.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Chapel Hill's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Recorder/Treasurer, Town of Chapel Hill, P.O. Box 157, Chapel Hill, TN 37034.

BASIC FINANCIAL STATEMENTS

TOWN OF CHAPEL HILL, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2022

	Governmental		Business-type	
	Activities	Activities	Total	
ASSETS				
Cash	\$ 1,783,879	\$ 1,019,138	\$ 2,803,017	
Restricted assets, cash	103,649	-	103,649	
Receivables	843,508	113,210	956,718	
Inventories	-	63,182	63,182	
Prepaid expenses	57,429	34,491	91,920	
Internal balances	(650,952)	650,952	-	
Capital assets:				
Nondepreciable				
Land	268,284	101,707	369,991	
Construction in process	249,839	321,244	571,083	
Depreciable (net of accumulated depreciation and amortization):				
Buildings	1,676,989	659,083	2,336,072	
Improvements other than buildings	728,987	11,740	740,727	
Machinery and equipment	1,084,439	119,280	1,203,719	
Infrastructure	328,516	4,103,292	4,431,808	
Total Assets	<u>6,474,567</u>	<u>7,197,319</u>	<u>13,671,886</u>	
LIABILITIES				
Accounts payable and accrued expenses	483,147	47,804	530,951	
Compensated absences	21,539	7,914	29,453	
American Rescue Plan unearned revenue	-	90,919	90,919	
Noncurrent liabilities:				
Due within one year	147,000	119,379	266,379	
Due in more than one year	1,781,423	683,876	2,465,299	
Total Liabilities	<u>2,433,109</u>	<u>949,892</u>	<u>3,383,001</u>	
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	<u>631,739</u>	<u>-</u>	<u>631,739</u>	
Total Deferred Inflows of Resources	<u>631,739</u>	<u>-</u>	<u>631,739</u>	
NET POSITION				
Net investment in capital assets	2,408,631	4,513,091	6,921,722	
Restricted for:				
Public safety	9,863	-	9,863	
Highways and streets	115,189	-	115,189	
Sanitation	-	98,515	98,515	
Unrestricted	876,036	1,635,821	2,511,857	
Total Net Position	<u>\$ 3,409,719</u>	<u>\$ 6,247,427</u>	<u>\$ 9,657,146</u>	

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

TOWN OF CHAPEL HILL, TENNESSEE
STATEMENT OF ACTIVITIES
Year ended June 30, 2022

<u>Function/Program</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Governmental activities:</u>							
General government	\$ 671,395	\$ 105,970	\$ 12,111	\$ 31,827	\$ (521,487)	\$ -	\$ (521,487)
Public safety	1,096,188	356	64,900	9,273	(1,021,659)	-	(1,021,659)
Recreation	85,612	9,300	8,073	-	(68,239)	-	(68,239)
Highways and streets	96,770	-	59,042	-	(37,728)	-	(37,728)
Total governmental activities	1,949,965	115,626	144,126	41,100	(1,649,113)	-	(1,649,113)
<u>Business-type activities:</u>							
Water and sewer	1,242,921	2,529,588	56,516	10,516	-	1,353,699	1,353,699
Sanitation	119,565	101,014	-	-	-	(18,551)	(18,551)
Total business-type activities	1,362,486	2,630,602	56,516	10,516	-	1,335,148	1,335,148
Total Government	\$ 3,312,451	\$ 2,746,228	\$ 200,642	\$ 51,616	(1,649,113)	1,335,148	(313,965)
General Revenues:							
Property taxes				634,548	-	634,548	
Sales taxes				506,790	-	506,790	
Alcoholic beverage taxes				231,683	-	231,683	
Other state taxes				288,446	-	288,446	
Gain on sale of surplus equipment				4,450	15,400	19,850	
Franchise fees				8,390	-	8,390	
Other				49,986	21,221	71,207	
Unrestricted investment earnings				6,269	2,511	8,780	
Total General Revenues and Transfers				1,730,562	39,132	1,769,694	
Changes in net position				81,449	1,374,280	1,455,729	
Net position - beginning				3,328,270	4,873,147	8,201,417	
Net position - ending				\$ 3,409,719	\$ 6,247,427	\$ 9,657,146	

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

TOWN OF CHAPEL HILL, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General	State Street Aid	Drug	Total Governmental Funds
ASSETS				
Cash	\$ 1,783,879	\$ 94,144	\$ 9,505	\$ 1,887,528
Receivables	784,929	-	358	785,287
Prepaid expenses	57,429	-	-	57,429
Due from other funds	-	13,518	-	13,518
Due from other governments	47,817	10,404	-	58,221
 Total Assets	 <u>\$ 2,674,054</u>	 <u>\$ 118,066</u>	 <u>\$ 9,863</u>	 <u>\$ 2,801,983</u>
LIABILITIES				
Accounts payable	\$ 457,971	\$ -	\$ -	\$ 457,971
Compensated absences	21,539	-	-	21,539
Other accrued expenses	13,898	-	-	13,898
Due to other funds	664,470	-	-	664,470
 Total Current Liabilities	 <u>1,157,878</u>	 <u>-</u>	 <u>-</u>	 <u>1,157,878</u>
 Total Liabilities	 <u>1,157,878</u>	 <u>-</u>	 <u>-</u>	 <u>1,157,878</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	639,505	-	-	639,505
Unavailable revenue - other	91,909	5,132	-	97,041
 Total Deferred Inflows of Resources	 <u>731,414</u>	 <u>5,132</u>	 <u>-</u>	 <u>736,546</u>
FUND BALANCES				
Nonspendable				
Prepaid expenses	57,429	-	-	57,429
Restricted	-	112,934	9,863	122,797
Assigned:				
Budget reserve	212,679	-	-	212,679
Industrial development	215,314	-	-	215,314
Unassigned	299,340	-	-	299,340
 Total Fund Balances	 <u>784,762</u>	 <u>112,934</u>	 <u>9,863</u>	 <u>907,559</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 2,674,054</u>	 <u>\$ 118,066</u>	 <u>\$ 9,863</u>	
 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.				4,337,054
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				104,807
Accrued interest is not recorded on the governmental fund balance sheet but is recorded on the statement of net position				(11,278)
Long-term liabilities, including loans payable are not due and payable in the current period and therefore are not reported in the funds.				<u>(1,928,423)</u>
 Net position of governmental activities				 <u>\$ 3,409,719</u>

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

TOWN OF CHAPEL HILL, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2022

	General	State Street Aid	Drug	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 633,916	\$ -	\$ -	\$ 633,916
Wholesale beer & liquor	230,641	-	-	230,641
Sales	493,068	-	-	493,068
Fines	17,070	-	356	17,426
Licenses and permits	88,900	-	-	88,900
Franchise fees	8,390	-	-	8,390
Intergovernmental	414,980	59,031	-	474,011
Recreation	9,300	-	-	9,300
Investment earnings	6,269	-	-	6,269
Other revenue	49,986	-	-	49,986
 Total Revenues	 1,952,520	 59,031	 356	 2,011,907
EXPENDITURES				
Current				
General government	608,745	-	-	608,745
Public safety	830,721	-	-	830,721
Highways and streets	29,799	13,002	-	42,801
Recreation	55,095	-	-	55,095
Debt service				
Principal	124,100	18,900	-	143,000
Interest	49,566	11,194	-	60,760
Capital outlay	610,213	-	-	610,213
 Total Expenditures	 2,308,239	 43,096	 -	 2,351,335
 Excess (Deficiency) of Revenues Over Expenditures	 (355,719)	 15,935	 356	 (339,428)
OTHER FINANCING SOURCES AND USES				
Sale of surplus equipment	4,450	-	-	4,450
Total Other Financing Sources and Uses	4,450	-	-	4,450
 Net Change in Fund Balances	 (351,269)	 15,935	 356	 (334,978)
 Fund Balances - beginning	 1,136,031	 96,999	 9,507	 1,242,537
 Fund Balances - ending	 \$ 784,762	 \$ 112,934	 \$ 9,863	 \$ 907,559

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

TOWN OF CHAPEL HILL, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

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

Net change in fund balances - total governmental funds	\$ (334,978)
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 capital outlays exceeded depreciation in the current period.	257,695
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	15,057
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 assets. This amount is the difference in the treatment of long-term debt and related items.	<u>143,675</u>
Change in net position of governmental activities	<u><u>\$ 81,449</u></u>

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

TOWN OF CHAPEL HILL, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2022

	Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Totals
	<hr/>		
ASSETS			
CURRENT ASSETS:			
Cash	\$ 912,444	\$ 106,694	\$ 1,019,138
Accounts receivable	103,159	10,051	113,210
Inventories	63,182	-	63,182
Prepaid expenses	34,491	-	34,491
Due from other funds	<u>658,212</u>	<u>-</u>	<u>658,212</u>
Total Current Assets	1,771,488	116,745	1,888,233
Capital assets, net of accumulated depreciation and amortization	<u>5,272,768</u>	<u>43,578</u>	<u>5,316,346</u>
Total Assets	<u>7,044,256</u>	<u>160,323</u>	<u>7,204,579</u>
LIABILITIES			
CURRENT LIABILITIES:			
Current maturities of long-term debt	119,379	-	119,379
Accounts payable	21,594	10,970	32,564
Compensated absences	7,914	-	7,914
Other accrued expenses	15,240	-	15,240
Due to other funds	-	7,260	7,260
American Rescue Plan unearned revenue	<u>90,919</u>	<u>-</u>	<u>90,919</u>
Total Current Liabilities	<u>255,046</u>	<u>18,230</u>	<u>273,276</u>
NONCURRENT LIABILITIES:			
Long-term debt, net of current maturities	<u>683,876</u>	<u>-</u>	<u>683,876</u>
Total Liabilities	<u>938,922</u>	<u>18,230</u>	<u>957,152</u>
NET POSITION			
Net investment in capital assets	4,469,513	43,578	4,513,091
Restricted	-	98,515	98,515
Unrestricted	<u>1,635,821</u>	<u>-</u>	<u>1,635,821</u>
Total Net Position	<u>\$ 6,105,334</u>	<u>\$ 142,093</u>	<u>\$ 6,247,427</u>

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

TOWN OF CHAPEL HILL, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2022

	Enterprise Funds		
	Water and Sewer <u>Fund</u>	Sanitation <u>Fund</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services, net of provision for bad debts of -\$0-	\$ 2,483,789	\$ 99,015	\$ 2,582,804
Other	<u>45,799</u>	<u>1,999</u>	<u>47,798</u>
 Total Operating Revenues	 <u>2,529,588</u>	 <u>101,014</u>	 <u>2,630,602</u>
 OPERATING EXPENSES			
Salaries and benefits	405,190	-	405,190
Payroll taxes	32,893	-	32,893
Insurance	125,288	-	125,288
Utilities	58,736	-	58,736
Purchased water for resale	91,989	-	91,989
Repairs and maintenance	101,899	-	101,899
Supplies	69,200	4,036	73,236
Depreciation	236,229	9,898	246,127
Office expense	5,628	-	5,628
Professional fees	75,692	-	75,692
Gas and oil	9,188	-	9,188
Landfill expense	-	105,631	105,631
Other	<u>13,642</u>	<u>-</u>	<u>13,642</u>
 Total Operating Expenses	 <u>1,225,574</u>	 <u>119,565</u>	 <u>1,345,139</u>
Income (Loss) From Operations	1,304,014	(18,551)	1,285,463
 NONOPERATING REVENUES (EXPENSES)			
Interest income	2,510	1	2,511
Interest expense	(17,347)	-	(17,347)
Cell tower rental income	21,221	-	21,221
American Rescue Plan revenue	56,516	-	56,516
Gain on sale of surplus equipment	15,400	-	15,400
 Total Nonoperating Revenues and (Expense) - net	 <u>78,300</u>	 <u>1</u>	 <u>78,301</u>
 Income (Loss) Before Contributions	 1,382,314	 (18,550)	 1,363,764
Capital grants and contributions	10,516	-	10,516
 Change in Net Position	 1,392,830	 (18,550)	 1,374,280
Total Net Position, at beginning of year	<u>4,712,504</u>	<u>160,643</u>	<u>4,873,147</u>
Total Net Position, at end of year	<u>\$ 6,105,334</u>	<u>\$ 142,093</u>	<u>\$ 6,247,427</u>

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

TOWN OF CHAPEL HILL, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2022

	Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 1,840,756	\$ 98,818	\$ 1,939,574
Payments to suppliers and others	(731,578)	(95,356)	(826,934)
Payments to employees for wages & benefits	<u>(439,775)</u>	-	(439,775)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>669,403</u>	<u>3,462</u>	<u>672,865</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Proceeds from American Rescue Plan revenue	147,435	-	147,435
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>147,435</u>	-	<u>147,435</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Additions to capital assets	(115,107)	-	(115,107)
Principal payments on long-term debt	(120,885)	-	(120,885)
Interest paid on long-term debt, net	(17,347)	-	(17,347)
Proceeds from sale of surplus equipment	15,400	-	15,400
Capital grants and contributions	10,516	-	10,516
Long-term borrowings, net	94,640	-	94,640
Proceeds from cell tower rental	<u>21,221</u>	-	<u>21,221</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(111,562)</u>	-	<u>(111,562)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	2,510	1	2,511
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>2,510</u>	<u>1</u>	<u>2,511</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	707,786	3,463	711,249
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	204,658	103,231	307,889
CASH AND CASH EQUIVALENTS, AT END OF YEAR	<u>\$ 912,444</u>	<u>\$ 106,694</u>	<u>\$ 1,019,138</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Income (loss) from operations	\$ 1,304,014	\$ (18,551)	\$ 1,285,463
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities -			
Depreciation and amortization	236,229	9,898	246,127
Changes in operating assets and liabilities:			
Accounts and other receivables, net	(30,620)	(2,196)	(32,816)
Due from other funds	(762,367)	-	(762,367)
Prepaid expenses and other assets	(5,213)	7,335	2,122
Inventories	(40,124)	-	(40,124)
Accounts payable	(33,223)	6,976	(26,247)
Other accrued expenses and compensated absences	707	-	707
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 669,403</u>	<u>\$ 3,462</u>	<u>\$ 672,865</u>

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

TOWN OF CHAPEL HILL, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2022

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES:				
Taxes:				
Property	\$ 610,000	\$ 610,000	\$ 633,916	\$ 23,916
Wholesale beer & liquor	226,400	226,400	230,641	4,241
Sales	900,000	900,000	493,068	(406,932)
Fines	15,000	15,000	17,070	2,070
Licenses and permits	71,800	71,800	88,900	17,100
Franchise fees	7,250	7,250	8,390	1,140
Intergovernmental:				
Grants	-	68,492	126,184	57,692
State sales tax	210,000	210,000	195,665	(14,335)
State income tax	-	-	106	106
State beer tax	500	500	-	(500)
State city streets (Petroleum Special)	-	-	3,101	3,101
Tennessee Valley Authority	-	-	-	-
Corporate excise tax	30,000	30,000	27,314	(2,686)
Telecommunications	1,400	1,400	43,175	41,775
State sports betting	300	300	1,608	1,308
TVA payments in lieu of tax	8,200	8,200	17,827	9,627
Contributions and donations	50,000	50,000	-	(50,000)
Recreation	6,000	6,000	9,300	3,300
Investment earnings	3,500	3,500	6,269	2,769
Other revenue	43,975	43,975	49,986	6,011
Total Revenues	2,184,325	2,252,817	1,952,520	(300,297)
EXPENDITURES				
General government:				
Wages and benefits	193,904	193,904	160,582	33,322
Insurance	45,600	55,600	79,266	(23,666)
Professional fees	233,000	293,000	255,611	37,389
Utilities	24,600	24,600	19,333	5,267
Office expense	20,000	20,000	13,404	6,596
Supplies	18,500	18,500	8,773	9,727
Repairs and maintenance	20,500	20,500	11,666	8,834
Subscriptions and dues	7,050	7,050	9,289	(2,239)
Public relations	23,000	23,000	16,713	6,287
Contributions and grant expenditures	20,000	20,000	22,770	(2,770)
Capital outlay	50,000	80,000	71,552	8,448
Debt service	125,000	125,000	70,216	54,784
Other expenditures	15,500	15,500	11,338	4,162
	796,654	896,654	750,513	146,141
Public safety:				
Wages and benefits	457,900	482,400	485,142	(2,742)
Insurance	152,700	167,700	165,803	1,897
Utilities	13,600	13,600	21,767	(8,167)
Office expense	2,880	2,880	1,894	986
Supplies	39,400	39,400	26,967	12,433
Repairs and maintenance	34,300	39,300	29,296	10,004
Subscriptions and dues	6,550	6,550	7,266	(716)
Public relations	6,000	6,000	1,482	4,518
Professional fees	67,700	67,700	53,030	14,670
Capital outlay	520,000	540,000	529,140	10,860
Debt service	58,000	58,000	53,733	4,267
Other expenditures	39,300	42,300	38,074	4,226
	1,398,330	1,465,830	1,413,594	52,236

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

TOWN OF CHAPEL HILL, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
Year Ended June 30, 2022

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (CONTINUED)				
Highways and streets:				
Wages and benefits	\$ 57,800	\$ 57,800	\$ 10,961	\$ 46,839
Insurance	1,800	1,800	3,920	(2,120)
Professional fees	9,000	9,000	-	9,000
Utilities	2,100	2,100	4,113	(2,013)
Supplies	2,800	2,800	447	2,353
Repairs and maintenance	22,000	22,000	4,457	17,543
Other expenditures	2,000	2,000	5,901	(3,901)
Debt service	28,000	28,000	24,859	3,141
Capital outlay	52,000	52,000	6,000	46,000
	<u>177,500</u>	<u>177,500</u>	<u>60,658</u>	<u>116,842</u>
Recreation:				
Wages and benefits	36,300	36,300	35,603	697
Insurance	600	600	928	(328)
Professional fees	4,100	4,100	170	3,930
Utilities	7,600	7,600	13,063	(5,463)
Supplies	2,500	2,500	-	2,500
Repairs and maintenance	12,200	12,200	5,331	6,869
Other expenditures	-	-	-	-
Debt service	23,000	26,000	24,858	1,142
Capital outlay	40,000	44,000	3,521	40,479
	<u>126,300</u>	<u>133,300</u>	<u>83,474</u>	<u>49,826</u>
Total Expenditures	<u>2,498,784</u>	<u>2,673,284</u>	<u>2,308,239</u>	<u>365,045</u>
(Deficiency) of Revenues Over Expenditures	<u>(314,459)</u>	<u>(420,467)</u>	<u>(355,719)</u>	<u>64,748</u>
OTHER FINANCING SOURCES AND USES:				
Sale of surplus equipment	10,000	10,000	4,450	(5,550)
Total Other Financing Sources and Uses	10,000	10,000	4,450	(5,550)
Net Change in Fund Balance	(304,459)	(410,467)	(351,269)	59,198
Fund Balance - beginning	1,136,031	1,136,031	1,136,031	-
Fund Balance - ending	<u>\$ 831,572</u>	<u>\$ 725,564</u>	<u>\$ 784,762</u>	<u>\$ 59,198</u>

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

TOWN OF CHAPEL HILL, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
STATE STREET AID SPECIAL REVENUE FUND
Year Ended June 30, 2022

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive</u> <u>(Negative)</u>
REVENUES				
Intergovernmental:				
State gas and motor fuel	\$ 35,500	\$ 35,500	\$ 35,037	\$ (463)
State gas and motor fuel (Gas 3 cent)	13,000	13,000	8,737	(4,263)
State gas and motor fuel (Petroleum Special)	3,000	3,000	-	(3,000)
State gas and motor fuel (2017)	16,000	16,000	15,257	(743)
Deferred state-share revenue	(5,000)	(5,000)	-	5,000
Investment earnings	300	300	-	(300)
Total Revenues	<u>62,800</u>	<u>62,800</u>	<u>59,031</u>	<u>(3,769)</u>
EXPENDITURES				
Current:				
Street lighting	10,000	20,000	13,002	6,998
Debt Service	-	36,000	30,094	5,906
Total Expenditures	<u>10,000</u>	<u>56,000</u>	<u>43,096</u>	<u>12,904</u>
Excess of Revenues Over Expenditures	<u>52,800</u>	<u>6,800</u>	<u>15,935</u>	<u>9,135</u>
Net Change in Fund Balance	52,800	6,800	15,935	9,135
Fund Balance - beginning	<u>96,999</u>	<u>96,999</u>	<u>96,999</u>	<u>-</u>
Fund Balance - ending	<u>\$ 149,799</u>	<u>\$ 103,799</u>	<u>\$ 112,934</u>	<u>\$ 9,135</u>

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

TOWN OF CHAPEL HILL, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET TO ACTUAL
DRUG SPECIAL REVENUE FUND
Year Ended June 30, 2022

				Variance with Final Budget -
	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines	\$ 600	\$ 600	\$ 356	\$ (244)
Total Revenues	<u>600</u>	<u>600</u>	<u>356</u>	<u>(244)</u>
EXPENDITURES				
Current:				
Supplies	1,500	1,500	-	1,500
Total Expenditures	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Excess (Deficiency) of Revenues Over Expenditures	(900)	(900)	356	1,256
Net Change in Fund Balance	(900)	(900)	356	1,256
Fund Balance - beginning	9,507	9,507	9,507	-
Fund Balance - ending	<u>\$ 8,607</u>	<u>\$ 8,607</u>	<u>\$ 9,863</u>	<u>\$ 1,256</u>

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

TOWN OF CHAPEL HILL, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Chapel Hill, Tennessee (the “Town”) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting standards. The GASB’s *Codification of Governmental Accounting and Financial Reporting Standards* document these principles. The following is a summary of significant accounting policies:

A. Reporting Entity

The Town of Chapel Hill, Tennessee is a municipal corporation governed by an elected mayor and a six-member board of aldermen. The accompanying financial statements present only the Town of Chapel Hill. The Town has no component units, i.e., legally separate organizations for which the Town is financially accountable, which are required to be included in these financial statements.

B. Basic 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, provided to the general public, which rely to a significant extent on fees and charges for support.

Separate fund financial statements are provided for governmental funds and proprietary funds. The Town does not have any fiduciary funds. Major individual governmental funds and major individual enterprise funds (a component of proprietary funds) are reported as separate columns in the fund financial statements. The Town has no nonmajor funds in the financial statements and detailed in the supplementary section.

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

1. Economic Resources Measurement Focus and Accrual Basis of Accounting

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 statements. This means that revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF CHAPEL HILL, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Modified Accrual

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within thirty (30) days of the end of the current fiscal period. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided).

Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed non-exchange transactions are recognized as revenues in the period for which they are imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions as amended by GASB Statement No. 36, Recipient Reporting of Certain Shared Nonexchange Revenues (the Town may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and unearned revenue by the recipient.

The government reports the following major governmental funds:

The *General Fund* is 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.

The *State Street Aid Fund* is used to account for the receipt of the state gas and motor fuel tax and the associated expenditures of these funds.

The *Drug Fund* is used to account for the receipt of drug fines and the associated expenditures of these funds.

The Town has elected to report the State Street Aid and Drug funds as major government funds for consistency purposes and due to heightened public interest even though they fail to meet the size criteria for major funds in the current year.

TOWN OF CHAPEL HILL, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Modified Accrual (Continued)

The government reports the following business-type activities as major enterprise funds:

The *Water and Sewer Fund* accounts for the activities of the water and sewer operations.

The *Sanitation Fund* accounts for the activities of the Town's garbage collection and disposal.

3. Revenues and Expenditures/Expenses

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*.

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 Town's proprietary funds are composed of the Water and Sewer Fund and the Sanitation Fund. The proprietary funds' principal operating revenues are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and overheads, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

4. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable October 1. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since, the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30. Property taxes become delinquent March 1 of the ensuing year.

TOWN OF CHAPEL HILL, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Fund Equity

1. Cash and Cash Equivalents

Cash and cash equivalents represent all investments that are short term, highly liquid, and readily convertible to a specified cash value. These investments generally have original maturities of three months or less. Cash equivalents consist of cash in bank, cash on hand, and bank certificates of deposit. The Town has not adopted policies to further limit its deposit or investment choices.

2. Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Due to and from other funds are eliminated in the Statement of Net Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

3. Receivables

Receivables consist of trade receivables, due from other governments, and interest receivable which are recorded net of allowance for doubtful accounts. The allowance is based on historical collection experience and a review of the current status of the existing receivables.

Property taxes are levied (billed) as of July 1 on property values assessed as of the same date. A lien is put on the property on January 1, the assessment date. The billings are considered past due March 1 of the ensuing year, at which time penalties and interest are assessed.

4. Inventories

Inventories are comprised of materials and supplies. Cost for materials and supplies are valued at the lower of cost (first in, first-out) or market.

5. Capital Assets

Capital assets, which include land, building, improvements, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets used in governmental activities are defined by the Town as assets with an initial, individual cost of more than \$5,000 (\$25,000 for buildings) and an estimated useful life in excess of one year.

The Town has elected to defer retroactive capitalization of infrastructure assets (e.g., roads, streets, and bridges, etc.) acquired prior to July 1, 2003. Infrastructure assets acquired after this date are required to be capitalized.

TOWN OF CHAPEL HILL, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Fund Equity (Continued)

5. Capital Assets (Continued)

Infrastructure assets have been capitalized since this date.

Capital assets used in business-type activities are defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased and at fair market value at date of gift if donated

Major additions are capitalized while maintenance and repairs that do not improve or extend the life of the respective assets are charged to expense.

Capital assets depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings	30-50 years
Public domain infrastructure	40-50 years
Improvements other than buildings	10-20 years
Machinery, equipment and other	5-10 years

6. New Accounting Pronouncements

GASB Statement No. 87, *Leases* (GASBS No. 87), became effective during the year. This standard enhances the relevance and consistency of information related to leasing activities. The Town does not have agreements that qualify as leases under this standard.

7. Compensated Absences

The Town's policies regarding leave time permit employees to accumulate earned but unused vacation leave benefits. The liability for these compensated absences is recorded in the financial statements.

8. Long-Term Liabilities

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. The debt is recorded net of the applicable bond premium or discount. Debt issuance costs are charged to expense in the period incurred. Debt premiums and discounts are deferred and amortized over the life of the debt using a method that approximates the effective interest method. In the fund financial statements, governmental fund types recognize debt premium and discounts, as well as debt issuance costs, during the current period. The face

TOWN OF CHAPEL HILL, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Fund Equity (Continued)

8. Long-Term Liabilities (Continued)

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.

9. Fund Equity

GASB Statement No. 54, establishes clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance—this classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has classified inventories, if any, and prepaid expenses as nonspendable as these items are not expected to be converted to cash.

Restricted fund balance—this classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance—this classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Mayor and Aldermen, the Town's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Board of Mayor and Aldermen rescinds or modifies the specified use by taking the same action that was employed when the funds were initially committed. The Town has no committed funds as of June 30, 2022.

Assigned fund balance—this classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Mayor and Aldermen or through the Board delegating this responsibility to the Town Administrator.

Unassigned fund balance—this classification includes the residual fund balance for the General Fund and any negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

TOWN OF CHAPEL HILL, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Fund Equity (Continued)

9. Fund Equity (Continued)

Sometimes an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Mayor and Aldermen has provided otherwise in its commitment or assignment actions.

10. Use of Estimates

In preparing the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has no items which qualify to be separately presented as *deferred outflows of resources*.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, the items are reported in the government-wide statement of net position, the governmental funds balance sheet and proprietary funds statement of net position.

In the government-wide statement of net position the government has one item, property taxes, that qualifies for reporting in this category. This amount is deferred and recognized as an inflow of resources in the period for which property taxes are billed. In the governmental funds, the government has one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the government funds balance sheet. The governmental funds report unavailable revenues from multiple sources: property taxes, state and local taxes, operating grants and certain other amounts. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWN OF CHAPEL HILL, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Fund Equity (Continued)

12. Net Position

Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets represent capital assets reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction or improvement of those assets as well as any deferred outflows or inflows of resources attributable to the acquisition, construction, or improvement of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets occur when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributions, laws, regulations, etc. Unrestricted net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Prior to July 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. Formal budgetary integration is employed as a management control device during the year for the General, State Street Aid, and Drug Funds.
5. Budgets for the General, State Street Aid, and Drug Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Budgeted amounts are as originally adopted, or as amended by the Town Board of Mayor and Aldermen.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

A summary of cash deposits with financial institutions as of June 30, 2022 is presented on the following page:

TOWN OF CHAPEL HILL, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

	Carrying Amount	Bank Amount
Cash, unrestricted, all fund types:		
Amount insured:		
FDIC	\$ 601,261	\$ 601,737
Tennessee Collateral Pool	2,201,304	2,313,830
Cash on hand	104,101	-
	<u>\$ 2,906,666</u>	<u>\$ 2,915,567</u>

Custodial credit risk for the Town's deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. According to Section 9-1-107, *Tennessee Code Annotated*, cash deposits must be insured or collateralized with securities held by the entity or by its agent in the entity's name. It is the Town's policy to require financial institutions holding its deposits to be members of the Tennessee Collateral Pool or if not a member of the Tennessee Collateral Pool, to pledge collateral for deposits in excess of the Federal Deposit Insurance Corporation (FDIC) coverage. The pledged collateral is required to be held by the Town or its agent in the Town's name. At June 30, 2022, all bank deposits were either fully insured by the FDIC or collateralized by the Tennessee Collateral Pool.

B. Receivables

Receivables as of year-end for the government's individual major funds, including the applicable allowances for uncollectible accounts, are as follows.

	General	State Street Aid	Drug	Water and Sewer	Sanitation	Total
Receivables:						
Interest	\$ 217	\$ -	\$ -	\$ -	\$ -	\$ 217
Taxes - property	651,888	- -	- -	- -	- -	651,888
Taxes - other	145,207	- -	- -	- -	- -	145,207
Accounts	- -	- -	358	104,526	10,343	115,227
Intergovernmental	<u>47,817</u>	<u>10,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,221</u>
Gross receivables	845,129	10,404	358	104,526	10,343	970,760
Less: Allowance for Uncollectibles	<u>(12,383)</u>	<u>-</u>	<u>-</u>	<u>(1,367)</u>	<u>(292)</u>	<u>(14,042)</u>
Total Receivables, Net	<u><u>\$ 832,746</u></u>	<u><u>\$ 10,404</u></u>	<u><u>\$ 358</u></u>	<u><u>\$ 103,159</u></u>	<u><u>\$ 10,051</u></u>	<u><u>\$ 956,718</u></u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

TOWN OF CHAPEL HILL, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (Continued)

At the end of the current fiscal year, the various components of unavailable revenue for the governmental funds were as follows:

	<u>Unavailable</u>
Property taxes	\$ 639,505
Other tax revenue	<u>97,041</u>
 Total unavailable revenue	 <u>\$ 736,546</u>

The water and sewer fund records tap fees for amounts received from customers for the installation of new taps related to water line distribution extension projects. There were no unearned tap fees as of the year ended June 30, 2022.

C. Capital Assets

Capital asset activity for the year ended June 30, 2022 is presented below:

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 268,284	\$ -	\$ -	\$ 268,284
Construction in Process	293,896	6,000	(50,057)	249,839
Total capital assets, not being depreciated	<u>562,180</u>	<u>6,000</u>	<u>(50,057)</u>	<u>518,123</u>
Capital assets, being depreciated:				
Buildings	2,103,771	65,052	-	2,168,823
Infrastructure	328,811	50,057	-	378,868
Improvements other than buildings	833,717	-	-	833,717
Equipment	2,018,133	460,945	-	2,479,078
Total capital assets being depreciated	<u>5,284,432</u>	<u>576,054</u>	<u>-</u>	<u>5,860,486</u>
Less accumulated depreciation for:				
Buildings	(435,613)	(56,221)	-	(491,834)
Infrastructure	(37,126)	(13,226)	-	(50,352)
Improvements other than buildings	(81,420)	(23,310)	-	(104,730)
Equipment	(1,213,094)	(181,545)	-	(1,394,639)
Total accumulated depreciation	<u>(1,767,253)</u>	<u>(274,302)</u>	<u>-</u>	<u>(2,041,555)</u>
Total capital assets, being depreciated, net	<u>3,517,179</u>	<u>301,752</u>	<u>-</u>	<u>3,818,931</u>
Governmental activities capital assets, net	<u>\$ 4,079,359</u>	<u>\$ 307,752</u>	<u>\$ (50,057)</u>	<u>\$ 4,337,054</u>

TOWN OF CHAPEL HILL, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Business-type Activities:

Capital assets, not being depreciated:

Land	\$ 101,707	\$ -	\$ -	\$ 101,707
Construction in progress	232,744	88,500	-	321,244
Total capital assets, not being depreciated	<u>334,451</u>	<u>88,500</u>	<u>-</u>	<u>422,951</u>

Capital assets, being depreciated and amortized:

Buildings	1,603,459	-	-	1,603,459
Infrastructure	7,401,843	-	-	7,401,843
Improvements other than buildings	37,604	-	-	37,604
Equipment	387,936	26,607	(43,309)	371,234

Total capital assets being depreciated and amortized

	<u>9,430,842</u>	<u>26,607</u>	<u>(43,309)</u>	<u>9,414,140</u>
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Less accumulated depreciation for:

Buildings	(912,079)	(32,297)	-	(944,376)
Infrastructure	(3,125,111)	(173,440)	-	(3,298,551)
Improvements other than buildings	(24,103)	(1,761)	-	(25,864)
Equipment	<u>(256,634)</u>	<u>(38,629)</u>	<u>43,309</u>	<u>(251,954)</u>
Total accumulated depreciation and amortization	<u>(4,317,927)</u>	<u>(246,127)</u>	<u>43,309</u>	<u>(4,520,745)</u>
Total capital assets, being depreciated and amortized, net	<u>5,112,915</u>	<u>(219,520)</u>	<u>-</u>	<u>4,893,395</u>
Business-type activities capital assets, net	<u>\$ 5,447,366</u>	<u>\$ (131,020)</u>	<u>\$ -</u>	<u>\$ 5,316,346</u>

Depreciation and amortization of financed purchase obligation expense was charged to functions/programs of the government as follows:

Governmental Activities:

General government	\$ 28,968
Public safety	184,636
Recreation	22,689
Highways and streets	38,009
Total depreciation expense - governmental activities	<u>\$ 274,302</u>

Business-type Activities:

Water and sewer	\$ 236,229
Sanitation	<u>9,898</u>
Total depreciation and amortization of financed purchase obligation expense - business-type activities	<u>\$ 246,127</u>

Accumulated amortization for business-type activities assets under financed purchase obligations totaled \$140,305 at June 30, 2022.

TOWN OF CHAPEL HILL, TENNESSEE**NOTES TO FINANCIAL STATEMENTS****June 30, 2022****NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)****D. Interfund Receivables, Payables, and Transfers**

The outstanding balances between funds result mainly 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. All balances are expected to be liquidated within one year.

E. Fund Equities

Fund balance for governmental funds was comprised of the following at June 30, 2022:

	<u>General</u>	<u>State Street Aid</u>	<u>Drug</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid expenses	\$ 57,429	\$ -	\$ -	\$ 57,429
Restricted:				
Highways & Streets	-	112,934	-	112,934
Public Safety	-	-	9,863	9,863
	-	112,934	9,863	122,797
Assigned:				
Budget reserve	212,679	-	-	212,679
Industrial Development	215,314	-	-	215,314
	427,993	-	-	427,993
Unassigned	299,340	-	-	299,340
Total fund balance	\$ 784,762	\$ 112,934	\$ 9,863	\$ 907,559

NOTE 4 – LONG-TERM DEBT

Historically, the Town has issued capital outlay notes for both governmental and business-type activities to provide funds for the acquisition and construction of major capital facilities. The schedule of long-term debt and capital outlay notes activity for the year ended June 30, 2022 is presented on the following page:

TOWN OF CHAPEL HILL, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 4 – LONG-TERM DEBT (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Notes and bonds from direct borrowings and direct placements					
Series 2015, \$500,000 General Obligation Capital					
Outlay Note, due in remaining installments of					
\$42,000 to \$49,000 through final maturity					
December 2027, at an interest rate of 2.98%.	\$ 313,000	\$ -	\$ (41,000)	\$ 272,000	\$ 42,000
Series 2017, \$1,000,000 Local Government Loan					
Program Bond, due in installments					
of \$42,000 to \$53,000 through final maturity					
December 2031, at an interest rate of 2.82%.	471,900	\$ -	\$ (41,000)	430,900	42,000
Series 2019, \$1,600,000 Local Government Loan					
Program Bond, due in installments of					
\$63,000 to \$96,000 through final maturity					
October 2039, at an interest rate of 3.13%.	1,286,523	\$ -	\$ (61,000)	1,225,523	\$ 63,000
	<u>\$ 2,071,423</u>	<u>\$ -</u>	<u>\$ (143,000)</u>	<u>\$ 1,928,423</u>	<u>\$ 147,000</u>
Less current maturities of long-term debt					<u>(147,000)</u>
Total noncurrent liabilities					<u>\$ 1,781,423</u>
Business-type Activities:					
Notes and bonds from direct borrowings and direct placements					
Series 2015, \$80,000 Revenue and Tax Capital					
Outlay Note, balance paid in full, in March					
2022, at an interest rate of 3.8%.	\$ 1,522	\$ -	\$ (1,522)	\$ -	\$ -
Financed Purchase Obligation, due in annual					
installments \$18,924 through final maturity					
January 2026, at an interest rate of 3.433%.	85,606	\$ -	\$ (15,985)	69,621	16,534
Financed Purchase Obligation, due in monthly					
installments of \$954 through final maturity					
September 2023, at an interest rate of 5.05%.	24,246	\$ -	\$ (10,378)	13,868	11,005
Revolving Fund Loan \$709,875 due in monthly					
installments of \$2,789 through final maturity					
August 2040, at an interest rate of 1.04%.	489,231	94,640	(30,000)	553,871	27,840
Series 2020, \$1,600,000, General Obligation Bond,					
Local Government Loan Program Bond,					
due in installments of \$64,000 to \$66,000					
through final maturity in March 2025,					
at an interest rate of 2.77%.	228,895	\$ -	\$ (63,000)	165,895	\$ 64,000
	<u>\$ 829,500</u>	<u>\$ 94,640</u>	<u>\$ (120,885)</u>	<u>\$ 803,255</u>	<u>\$ 119,379</u>
Less current maturities of long-term debt					<u>(119,379)</u>
Total noncurrent liabilities					<u>\$ 683,876</u>

TOWN OF CHAPEL HILL, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 4 – LONG-TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for capital outlay notes and financed purchase obligations are presented as follows:

Year Ending June 30,	<u>Governmental Activities</u>		
	<u>Notes and Bonds from Direct</u>		
	<u>Borrowings and Direct Placements</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 147,000	\$ 56,416	
2024	151,000	51,948	
2025	156,000	47,349	
2026	161,000	42,596	
2027	165,000	37,709	
2028-2032	643,900	122,914	
2033-2037	452,000	44,433	
2038	52,523	822	
	<u>\$ 1,928,423</u>	<u>\$ 404,187</u>	

Year Ending June 30,	<u>Business-type Activities</u>		
	<u>Notes and Bonds from Direct</u>		
	<u>Borrowings and Direct Placements</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 119,379	\$ 13,060	
2024	114,093	9,985	
2025	82,012	7,269	
2026	47,012	5,380	
2027	29,016	4,452	
2028-2032	149,712	17,628	
2033-2037	157,704	9,636	
2038-2041	104,327	1,781	
	<u>\$ 803,255</u>	<u>\$ 69,191</u>	

The total amount of interest charged to expense was \$60,760 and \$17,347, respectively for the year ended June 30, 2022 for the governmental activities and business-type activities.

The Town issued a general obligation capital outlay note in 2015, with First Tennessee Bank National Association for the purpose of their traffic signal projects and Phase 1 of the Depot Park project.

The Town issued a sewer system revenue and tax capital outlay note in 2015, with First Tennessee Bank for the purpose of sewer system improvements.

The Town entered into a Tennessee municipal financed purchase agreement in 2016, with Government Capital Corporation for the purpose of replacement and installation of water meters. This agreement is currently placed with Central Trust Bank.

In 2018 the Town established a \$1,000,000 loan agreement through Local Government Loan Program Bond, Series 2017, with First Tennessee Bank National Association for the purpose of the acquisition a new fire truck and the construction of a trail walkway and parking lot.

TOWN OF CHAPEL HILL, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 4 – LONG-TERM DEBT (CONTINUED)

The Town entered into a governmental equipment financed purchase agreement in 2019 for the purpose of financing a mini hydraulic excavator.

In the 2020 year, the Town established a \$1,600,000 loan agreement through Local Government Loan Program Bond, Series 2019, with First Tennessee Bank National Association for the purpose of the acquisition of building and renovations for the Town's administrative building, installation of LED street lights, sidewalk improvements and other infrastructure projects.

In the 2020 year, the Town also established a \$1,600,000 loan agreement through Local Government Loan Program Bond, Series 2020, with First Tennessee Bank National Association for the purpose of water plant upgrades, Crutcher Road sewer line, and a 12-inch water line upgrade.

The Town made draws for a sewer project under the State Revolving Fund Loan in the current fiscal year totaling \$94,640 and based on the loan agreement received forgiveness of \$10,516. Principal payments were made in the current fiscal year totaling \$30,000, bringing total unpaid principal balance at June 30, 2022 to \$553,871, as noted in the schedule of long-term debt.

NOTE 5 – RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Tennessee Municipal League Risk Management Pool ("TML"), a public entity risk pool for coverage of these risks. The Town pays an annual premium determined by TML for its risk coverage. The TML was created to be self-sustaining through member premiums. TML reinsures through commercial insurance for excessive claims for each insured event. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the Town. Settled claims in the past three years have not exceeded the coverages. There has not been a significant reduction in insurance coverage in the past fiscal year.

NOTE 6 – RETIREMENT PLAN

The Town has a defined contribution plan commonly known as a savings incentive match plan (SIMPLE) retirement plan for its governmental fund and enterprise fund employees. The plan is administered by American Funds, P. O. Box 2280, Norfolk, VA 23501-2280 and can be accessed at www.americanfunds.com. Benefit terms, including contribution requirements for the plan may be amended by the governing board. All employees who receive at least \$5,000 in compensation during any two preceding years and expect to receive at least \$5,000 compensation during the current year are eligible to participate in the plan. Eligible participants may contribute a portion of their salary, up to the legal limit established by the Internal Revenue Code. All contributions are 100% vested with the employee and, as a result there are no forfeitures to be recognized in pension expense. The Town will match up to 100% of the employees' contribution up to the first 3% of gross pay. Employer and employee contributions under this plan for the governmental fund employees totaled \$6,261 and \$7,246 and \$5,785 and \$6,842 for the years ended June 30, 2022 and 2021, respectively. Employer and employee contributions under this plan for

TOWN OF CHAPEL HILL, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 6 – RETIREMENT PLAN (CONTINUED)

the enterprise fund employees totaled \$3,581 and \$7,544 and \$4,672 and \$5,426 for the years ended June 30, 2022 and 2021, respectively. The pension administrative expense is paid by the employees under the plan.

Contributions payable to the plan at June 30, 2022 were \$1,658 and \$2,201 for the governmental funds and enterprise funds, respectively.

NOTE 7 - CONTINGENCIES

The Town is involved in litigation arising in the ordinary course of business. The ultimate outcome of the litigation is unknown at the present time. Accordingly, no provision has been made in the accompanying financial statements for any liability that might result. After consultation with legal counsel, management estimates that those matters not covered by insurance will be resolved without material adverse effect on the Town's financial position or results of operations.

SUPPLEMENTARY INFORMATION SECTION

TOWN OF CHAPEL HILL, TENNESSEE
SCHEDULE OF INTERGOVERNMENTAL REVENUES BY SOURCE
Year Ended June 30, 2022

	<u>General</u>	<u>State Street Aid</u>	<u>Drug</u>	<u>Total Governmental Funds</u>
Grants	\$ 126,184	\$ -	\$ -	\$ 126,184
State sales tax	195,665	-	-	195,665
State income tax	106	-	-	106
State beer tax	-	-	-	-
State gas and motor fuel	-	35,037	-	35,037
State gas and motor fuel (2017)	-	15,257	-	15,257
State gas and motor fuel (Gas 3 cent)	-	8,737	-	8,737
State city streets (Petroleum Special)	3,101	-	-	3,101
Tennessee Valley Authority	-	-	-	-
Corporate excise tax	27,314	-	-	27,314
Telecommunications	43,175	-	-	43,175
State sports betting	1,608	-	-	1,608
TVA payments in lieu of tax	<u>17,827</u>	<u>-</u>	<u>-</u>	<u>17,827</u>
	<u><u>\$ 414,980</u></u>	<u><u>\$ 59,031</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 474,011</u></u>

TOWN OF CHAPEL HILL, TENNESSEE
WATER, SEWER, AND SANITATION SYSTEMS
SCHEDULE OF UTILITY PLANT AND EQUIPMENT
June 30, 2022

	COST				ACCUMULATED DEPRECIATION				Balance 6-30-22
	Balance 6-30-21	Additions	Retirements	Balance 6-30-22	Balance 6-30-21	Provision	Retirements	Balance 6-30-22	
<u>General</u>									
Equipment	\$ 387,936	\$ 26,607	\$ 43,309	\$ 371,234	\$ 256,634	\$ 38,629	\$ 43,309	\$ 251,954	
<u>Water Facilities</u>									
Land	69,487	-	-	69,487	-	-	-	-	
Distribution	2,430,479	-	-	2,430,479	1,246,122	64,056	-	1,310,178	
<u>Sewer Facilities</u>									
Land	32,220	-	-	32,220	-	-	-	-	
Const. in progress	232,744	88,500	-	321,244	-	-	-	-	
Collection	5,539,014	-	-	5,539,014	2,176,538	122,979	-	2,299,517	
Treatment	1,073,413	-	-	1,073,413	638,633	20,463	-	659,096	
Utility Plant in Service	<u>\$ 9,765,293</u>	<u>\$ 115,107</u>	<u>\$ 43,309</u>	<u>\$ 9,837,091</u>	<u>\$ 4,317,927</u>	<u>\$ 246,127</u>	<u>\$ 43,309</u>	<u>\$ 4,520,745</u>	

TOWN OF CHAPEL HILL, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
Year Ended June 30, 2022

	<u>Total</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 657,951	\$ -	\$ 641,007	\$ 8,578	\$ 1,701	\$ 349	\$ 303	\$ 2,560	\$ 1,221	\$ 1,301	\$ 931
Taxes levied	\$ 631,739	\$ 631,739	-	-	-	-	-	-	-	-	-
Collections	\$ (637,802)	_____ -	\$ (634,428)	\$ (3,374)	_____ -	_____ -	_____ -	_____ -	_____ -	_____ -	_____ -
Balance, end of year	<u>\$ 651,888</u>	<u>\$ 631,739</u>	<u>\$ 6,579</u>	<u>\$ 5,204</u>	<u>\$ 1,701</u>	<u>\$ 349</u>	<u>\$ 303</u>	<u>\$ 2,560</u>	<u>\$ 1,221</u>	<u>\$ 1,301</u>	<u>\$ 931</u>
Less allowance for uncollectible accounts		<u><u>(12,383)</u></u>									
Balance, end of year, net of allowance		<u><u>\$ 639,505</u></u>									

During the year ended June 30, 2022, no delinquent property taxes receivable were turned over to the Marshall County Chancellery Court. The Town anticipates turning over 2020 & 2021 delinquent taxes in the 2023 year.

TOWN OF CHAPEL HILL, TENNESSEE
SCHEDULE OF TAX RATES AND ASSESSMENTS
LAST TEN YEARS
June 30, 2022

<u>Year</u>	<u>ASSESSMENT</u>	<u>TAX RATE</u>
2022	\$ 65,135,743	0.91
2021	38,324,281	1.50
2020	36,405,944	1.50
2019	33,969,083	1.50
2018	38,666,952	1.50
2017	37,410,992	1.50
2016	37,578,168	1.75
2015	34,233,269	1.75
2014	34,150,566	1.75
2013	34,534,207	1.75

TOWN OF CHAPEL HILL, TENNESSEE
SCHEDULE OF WATER, SEWER AND SANITATION RATES
LAST TEN FISCAL YEARS

Fiscal Year	Water					Sewer					Sanitation	
	Monthly Base Rate	Per 1,000 Gallons	Per 1,000 Gallons	Number of Customers	Monthly Base Rate	Per 1,000 Gallons	Per 1,000 Gallons	Number of Customers	Rate Per Month	Number of Customers		
		Inside Town	Outside Town			2,63	Over 3,500 Gallons					
2013	\$ 16.00	\$ 2.66	\$ 2.66	670	\$ 16.00	\$ 2.63	\$ 3.89	532	\$ 10.50	615		
2014	16.00	2.66	2.66	676	16.00	2.63	3.89	537	10.50	622		
2015	16.00	2.66	2.66	688	16.00	2.63	3.89	549	10.50	628		
2016	16.00	2.66	2.66	706	16.00	2.63	3.89	557	10.50	633		
2017	16.00	2.66	2.66	718	16.00	2.63	3.89	577	10.50	657		
2018	16.00	2.66	2.66	729	16.00	2.63	3.89	589	10.50	674		

Fiscal Year	Water					Sewer					Sanitation	
	Monthly Base Rate	Per 1,000 Gallons over 2,000	Per 1,000 Gallons over 2,000	Number of Customers	Monthly Base Rate	Per 1,000 Gallons over 2,000	Per 1,000 Gallons over 2,000	Number of Customers	Rate Per Month	Number of Customers		
	Inside/Outside	Inside Town	Outside Town		Inside/Outside	Inside Town	Outside Town					
2019	\$22.00/\$28.60	\$ 6.40	\$ 8.32	756	\$27.50/\$35.75	\$ 8.00	\$ 10.40	612	\$ 10.50	700		
2020	25.30/32.89	7.36	9.57	778	28.33/36.82	8.24	10.71	636	10.50	721		
2021	25.30/32.89	7.36	9.57	840	28.33/36.82	8.24	10.71	693	10.50	776		
2022	25.30/32.89	7.36	9.57	968	28.33/36.82	8.24	10.71	751	10.50	835		

TOWN OF CHAPEL HILL, TENNESSEE
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
GOVERNMENTAL ACTIVITIES

June 30, 2022

Year Ending June 30,	Governmental Activities											
	Series 2015, General Obligation Capital Outlay Note			Series 2017, Local Government Loan Program Bond			Series 2019, Local Government Loan Program Bond			Total Governmental Activities		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 42,000	\$ 7,480	\$ 42,000	\$ 11,563	\$ 63,000	\$ 37,373	\$ 147,000	\$ 56,416				
2024	43,000	6,213	44,000	10,350	64,000	35,385	151,000	51,948				
2025	45,000	4,902	45,000	9,096	66,000	33,351	156,000	47,349				
2026	46,000	3,546	46,000	7,812	69,000	31,238	161,000	42,596				
2027	47,000	2,161	47,000	6,501	71,000	29,047	165,000	37,709				
2028	49,000	730	49,000	5,148	73,000	26,794	171,000	32,672				
2029	-	-	50,000	3,752	75,000	24,477	125,000	28,229				
2030	-	-	51,000	2,328	78,000	22,083	129,000	24,411				
2031	-	-	53,000	861	80,000	19,610	133,000	20,471				
2032	-	-	3,900	56	82,000	17,075	85,900	17,131				
2033	-	-	-	-	85,000	14,461	85,000	14,461				
2034	-	-	-	-	88,000	11,754	88,000	11,754				
2035	-	-	-	-	90,000	8,968	90,000	8,968				
2036	-	-	-	-	93,000	6,104	93,000	6,104				
2037	-	-	-	-	96,000	3,146	96,000	3,146				
2038	-	-	-	-	52,523	822	52,523	822				
	\$ 272,000	\$ 25,032	\$ 430,900	\$ 57,467	\$ 1,225,523	\$ 321,688	\$ 1,928,423	\$ 404,187				

TOWN OF CHAPEL HILL, TENNESSEE
SCHEDULE OF LONG-TERM DEBT AND FINANCED PURCHASE OBLIGATIONS PRINCIPAL AND INTEREST REQUIREMENTS
BUSINESS-TYPE ACTIVITIES
June 30, 2022

Year Ending June 30,	Business-Type Activities											
	Financed Purchase Obligation		Financed Purchase Obligation		Series 2020, Local Government Loan Program		State Revolving Fund Loan CW6 2018-399		Total Business-Type Activities			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 16,534	\$ 2,390	\$ 11,005	\$ 447	\$ 64,000	\$ 4,595	\$ 27,840	\$ 5,628	\$ 119,379	\$ 13,060		
2024	17,102	1,822	2,863	-	66,000	2,823	28,128	5,340	114,093	9,985		
2025	17,689	1,235	-	-	35,895	994	28,428	5,040	82,012	7,269		
2026	18,296	628	-	-	-	-	28,716	4,752	47,012	5,380		
2027	-	-	-	-	-	-	29,016	4,452	29,016	4,452		
2028	-	-	-	-	-	-	29,328	4,140	29,328	4,140		
2029	-	-	-	-	-	-	29,628	3,840	29,628	3,840		
2030	-	-	-	-	-	-	29,940	3,528	29,940	3,528		
2031	-	-	-	-	-	-	30,252	3,216	30,252	3,216		
2032	-	-	-	-	-	-	30,564	2,904	30,564	2,904		
2033	-	-	-	-	-	-	30,888	2,580	30,888	2,580		
2034	-	-	-	-	-	-	31,212	2,256	31,212	2,256		
2035	-	-	-	-	-	-	31,536	1,932	31,536	1,932		
2036	-	-	-	-	-	-	31,872	1,596	31,872	1,596		
2037	-	-	-	-	-	-	32,196	1,272	32,196	1,272		
2038	-	-	-	-	-	-	32,532	936	32,532	936		
2039	-	-	-	-	-	-	32,880	588	32,880	588		
2040	-	-	-	-	-	-	33,216	252	33,216	252		
2041	-	-	-	-	-	-	5,699	5	5,699	5		
	<u>\$ 69,621</u>	<u>\$ 6,075</u>	<u>\$ 13,868</u>	<u>\$ 447</u>	<u>\$ 165,895</u>	<u>\$ 8,412</u>	<u>\$ 553,871</u>	<u>\$ 54,257</u>	<u>\$ 803,255</u>	<u>\$ 69,191</u>		

TOWN OF CHAPEL HILL
SCHEDULE OF CHANGES IN LONG-TERM DEBT AND FINANCED PURCHASE OBLIGATIONS BY INDIVIDUAL ISSUE
June 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period			Refunded During Period	Outstanding 6/30/2022						
							Matured During Period	Refunded During Period	Outstanding 6/30/2022								
<u>Governmental Activities</u>																	
<u>BONDS PAYABLE</u>																	
General Obligation Capital Outlay Note, Series 2015	\$ 500,000	2.98%	12/21/2015	12/1/2027	\$ 313,000	\$ -	\$ 41,000	\$ -	\$ 272,000								
Local Government Loan Program Bond, Series 2017	1,000,000	2.82%	12/28/2017	12/1/2031	471,900		-	41,000	-	430,900							
Local Government Loan Program Bond, Series 2019	1,600,000	3.13%	11/22/2019	(1)	1,286,523		-	61,000	-	1,225,523							
Total Bonds Payable through Governmental Activities					\$ 2,071,423	\$ -	\$ 143,000	\$ -	\$ 1,928,423								
<u>Business-Type Activities</u>																	
<u>BONDS PAYABLE</u>																	
Revenue and Tax Capital Outlay Note, Series 2015	\$ 80,000	3.80%	2/26/2015	3/1/2022	\$ 1,522	\$ -	\$ 1,522	\$ -	\$ -								
Local Government Loan Program Bond, Series 2020	1,600,000	2.77%	3/26/2020	(2)	228,895		-	63,000	-	165,895							
Total Bonds Payable through Business-Type Activities					\$ 230,417	\$ -	\$ 64,522	\$ -	\$ 165,895								
<u>FINANCED PURCHASE OBLIGATIONS</u>																	
Financed Purchase Obligation	\$ 158,722	3.43%	3/16/2016	1/15/2026	\$ 85,606	\$ -	\$ 15,985	\$ -	\$ 69,621								
Financed Purchase Obligation	50,510	5.05%	9/19/2018	9/18/2023	24,246		-	10,378	-	13,868							
Total Financed Purchase Obligations through Business-Type Activities					\$ 109,852	\$ -	\$ 26,363	\$ -	\$ 83,489								
<u>OTHER LOAN PAYABLE</u>																	
State Revolving Fund Loan (CW6)	\$ 709,875	1.04%	3/18/2018	8/18/2040	\$ 489,231	\$ 94,640	\$ 30,000	\$ -	\$ 553,871								
Total Other Loan Payable through Business-Type Activities					\$ 489,231	\$ 94,640	\$ 30,000	\$ -	\$ 553,871								

(1) Total amount approved was \$1,600,000, of which \$254,477 remains available for draws as of June 30, 2022.

(2) Total amount approved was \$1,600,000, of which \$1,310,105 remains available for draws as of June 30, 2022.

TOWN OF CHAPEL HILL, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2022

<u>Federal/State Grantor Pass-Through Grantor</u>	<u>Program/Cluster Name</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Through to Subrecipients</u>	<u>Expenditures</u>
<u>Federal Awards</u>					
U.S. Department of Transportation/ State of TN Highway Safety	High Visibility Enforcement of TN Traffic Safety	20.607	Z20THS036	\$ _____ -	\$ 9,619
	Total U.S. Department of Transportation			_____ -	9,619
U.S. Department of Treasury/ State of TN Department of Finance & Administration	COVID-19 / Coronavirus Local Fiscal Recovery Funds	21.027-COVID	N/A	_____ -	137,254
	Total U.S. Department of Treasury			_____ -	137,254
Environmental Protection Agency/ TN Department of Environment & Conservation	Capitalization Grants For Clean Water State Revolving Fund Cluster	66.458	CW6 2018-399	_____ -	105,156
	Total Environmental Protection Agency			_____ -	105,156
	Total Expenditures of Federal Awards			_____ -	252,029
<u>State Financial Assistance</u>					
TN Department of Finance & Administration	Direct Appropriation Grant	N/A	N/A	_____ -	31,827
TN Department of Finance & Administration	Police Officer Salary Supplement	N/A	N/A	_____ -	4,000
	Total State Awards			_____ -	35,827
	Total Federal & State Awards			\$ _____ -	\$ 287,856

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state award activity of the Town of Chapel Hill under programs of the federal and state government for the year ended June 30, 2022. Because the Schedule presents only a selected portion of the operations of the Town of Chapel Hill, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Chapel Hill.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting.

NOTE 3 - INDIRECT COST RATE

The Town has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - DEBT OUTSTANDING

The Town made draws for a sewer project under the Tennessee Department of Environment and Conservation State Revolving Fund Loan Program in the current fiscal year totaling \$94,640 and based on the loan agreement received forgiveness of \$10,516. Principal payments were made in the current fiscal year totaling \$30,000, bringing total unpaid principal balance at June 30, 2022 to \$553,871.

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

Mayor and Board of Aldermen
Town of Chapel Hill
Chapel Hill, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Chapel Hill, Tennessee as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Chapel Hill, Tennessee's basic financial statements and have issued our report thereon, dated January 23, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Chapel Hill, Tennessee's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Chapel Hill, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Chapel Hill, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Chapel Hill, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 2022-001 and 2022-002.

Town of Chapel Hill, Tennessee's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Chapel Hill, Tennessee's response to the findings identified in our audit as described in the accompanying schedule of findings and responses. Town of Chapel Hill, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this 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 internal control over financial reporting 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.

Putman & Hancock, CPAs

Fayetteville, Tennessee

January 23, 2023

TOWN OF CHAPEL HILL, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2022

FINDINGS-FINANCIAL STATEMENTS AUDIT

FINDING NUMBER 2022-001

Condition and Criteria: Tennessee Code Annotated 9-18-102(a) requires agencies of state government as well as each county, municipal, and metropolitan government to establish and maintain internal controls and to document compliance with the requirements set forth. The Town has not created any written internal control documents. We also recommend the Town update their personnel policy related to the accumulation of personal leave.

Effect: Procedures ensure that (1) obligations and cost are in compliance with applicable law; (2) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (3) revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

Cause: Due to turnover in key personnel (recorder and administrator) and lack of internal controls.

Auditors' Recommendations: Establish and maintain internal control documents as required by Tennessee Code 9-18-102(a) and integrate procedures with the controls.

Management Response: We concur. See management's corrective action plan.

FINDING NUMBER 2022-002

Condition and Criteria: Payments were not made timely for retirement contributions for the months of September 2021, October 2021, November 2021, January 2022 & February 2022.

Effect: This is a violation of retirement regulations.

Cause: Due to turnover in key personnel (recorder and administrator).

Auditor's Recommendations: The Town should verify that all payments withheld from employees' payments be made as soon as amounts for such payments may be reasonably determined.

Management Response: We concur. See management's corrective action plan.



Town of Chapel Hill
Town Hall, 4650 Nashville Hwy
Chapel Hill, TN 37034
Phone (931) 364-7632 Fax (931) 364-3436

Established 1808

MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2022

Town of Chapel Hill, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2022.

FINDINGS - FINANCIAL STATEMENTS AUDIT

NONCOMPLIANCE

FINDING NUMBER 2022-001:

Condition and Criteria: Tennessee Code Annotated 9-18-102(a) requires agencies of state government as well each county, municipal, and metropolitan government to establish and maintain internal controls and to document compliance with the requirements set forth. The Town has not created a written internal control documents. We also recommend the Town update their personnel policy related to the accumulation of personal leave.

Recommendations: Establish and maintain internal control documents as required by Tennessee Code 9-18-102(a) and integrate procedures with the controls.

Planned Corrective Action: A new personnel policy with updates to accrued personal leave was adopted subsequent to year-end. The Town will work to create an internal control policy that correlates with the controls currently in place.

Responsible Person: Danny Bingham, Town Administrator

Anticipated Completion Date: June 2023

FINDING NUMBER 2022-002:

Condition and Criteria: Payments were not made timely for retirement contributions for the months of September 2021, October 2021, November 2021, January 2022, and February 2022.

Recommendations: The Town should verify that all payments withheld from employees' payments be made as soon as amounts for such payments be reasonably determined.

Planned Corrective Action: Turnover with staff led to a delay in access and permissions available to the new staff in relation to the retirement portal used. Permissions have been granted and all past due retirement contributions have been made.

Responsible Person: Danny Bingham, Town Administrator

Anticipated Completion Date: Corrective action is currently in place


Danny Bingham
Town Administrator

1/23/2023

TOWN OF CHAPEL HILL, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2022

Financial Statement Findings

Finding Number	Finding Title	Status
2021-001	Potential Misstatements	Corrected
2021-002	Misappropriation of funds	Corrected
2021-003	Timely Closing of Accounting Records	Corrected
2022-001	Internal controls and compliance (Original Finding #2016-002)	Repeated/ 2016-002
2021-005	Subsidiary Ledgers Not Reconciled to General Ledger	Corrected
2021-006	Inability To Locate Source Documents	Corrected
2021-007	Late Filing of Sales and Use Tax Returns	Corrected
2022-002	Retirement Contributions Not Made Timely (Original Finding #2021-008)	Repeated/ 2021-008
2021-009	Total Expenditures Over Budget	Corrected