

CITY OF HOHENWALD, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2022

CITY OF HOHENWALD, TENNESSEE

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INTRODUCTORY SECTION

CITY OF HOHENWALD, TENNESSEE

Officials of the City of Hohenwald, Tennessee

June 30, 2022

Name

Title

Elected Officials:

Danny McKnight

Mayor and City Manager

Don Barber

Vice Mayor

Scottie Bass

Council Member

Kevin King

Council Member

Cody Mitchell

Council Member

Management:

Kyle Hamm

City Recorder, CMFO

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

Independent Auditor's Report

Mayor and Members of the City Council
City of Hohenwald, Tennessee
Hohenwald, Tennessee

Opinions

I have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Hohenwald, Tennessee (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information – Introductory Section

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 23, 2022, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Jah R Poole, CPA

December 23, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HOHENWALD, TENNESSEE

Management's Discussion and Analysis

As management of the City of Hohenwald, Tennessee (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the City of Hohenwald exceeded its liabilities at the close of the most recent fiscal year by \$25,483,334. Of this amount, \$5,890,573 (unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total Net Position increased by \$790,838 primarily due to increases in local user revenues and a growing local economy producing increased sales tax revenues. Expenses were \$1,000,263 higher than in the prior year primarily due to higher natural gas purchases and increased maintenance and repair costs.

As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$3,632,648 an increase of \$692,362 in comparison to the prior year. The City's governmental funds had capital asset purchases of \$285,650.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,267,623 or approximately 86% of the total general fund expenditures.

The City's total debt increased by \$92,075 as the Town borrowed funds for the Water and Sewer system, while making all other required payments.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the City of Hohenwald's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all the City's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Hohenwald include general government, personnel, finance, parks, planning, police, fire, disposal service, streets and public works. The government-wide financial statements can be found on pages 11-12 of this report.

A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The City of Hohenwald, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental Funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the funds all of which are considered to be major funds.

The City of Hohenwald adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic financial statements can be found on pages 14-20 of this report. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-50 of this report.

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

As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the City of Hohenwald, assets exceeded liabilities by \$25,483,334 at the close of the most recent fiscal year.

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

City of Hohenwald's Net Position - 2022

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 5,870,762	4,074,121
Capital assets	<u>5,501,797</u>	<u>21,523,154</u>
Total assets	11,372,559	25,597,275
Deferred outflows	588,866	317,082
Long-term liabilities outstanding	57,600	8,286,234
Other liabilities	<u>847,178</u>	<u>351,179</u>
Total liabilities	904,778	8,637,413
Deferred inflows:	2,313,273	536,984
Net Position:		
Net investment in capital assets	5,444,197	13,399,604
Restricted	302,648	446,312
Unrestricted	<u>2,996,529</u>	<u>2,894,044</u>
Total Net Position	\$ 8,743,374	16,739,960

City of Hohenwald's Net Position - 2021

	Governmental Activities	Business -Type Activities
Current and other assets	\$ 3,912,358	3,728,648
Capital assets	<u>5,612,317</u>	<u>21,457,622</u>
Total assets	9,524,675	25,186,270
Deferred outflows	259,872	166,148
Long-term liabilities outstanding	522,680	8,119,636
Other liabilities	<u>490,462</u>	<u>388,194</u>
Total liabilities	1,013,142	8,507,830
Deferred inflows:	845,382	78,115
Net Position:		
Net investment in capital assets	5,536,517	13,444,347
Restricted	322,723	59,246
Unrestricted	<u>2,066,783</u>	<u>3,262,880</u>
Total Net Position	\$ 7,926,023	16,766,473

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

Governmental Funds

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

The general fund is the chief operating fund of the City's. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,267,623. 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 fund expenditures. Unassigned fund balance represents approximately 86% of total general fund expenditures.

Business- Type Activities

The Business-type funds Net Position decreased by \$26,513 due to higher repair and maintenance and supply expenses than expected.

Comparison of revenues and expenses 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Revenues:			
Property taxes	848,376	841,285	7,091
Sales taxes	2,024,550	1,872,228	152,322
Local tax revenue	534,387	453,860	80,527
Income and excise taxes	36,353	27,720	8,633
Miscellaneous	186,179	315,379	(129,200)
Charges for services	6,093,235	5,558,614	534,621
Operating contributions	336,672	187,384	149,288
Capital contributions	0	448,971	(448,971)
Total Revenues	<u>\$10,059,752</u>	<u>\$9,705,441</u>	<u>\$354,311</u>
Expenses:			
General government	660,829	748,182	(87,353)
Police department	1,430,963	1,351,318	79,645
Fire department	328,680	310,800	17,880
Animal control	6,952	14,708	(7,756)
Public works	461,431	320,541	140,890
Cemetery	13,827	13,775	52
Parks	45,352	45,352	0
Economic development	128,527	89,305	39,222
Emergency services	364,377	373,944	(9,567)
Golf Course	250,209	242,629	7,580
Drug fund expenses	12,095	2,775	9,320
Highway and streets	65,230	176,438	(111,208)
Water and Sewer Fund	3,171,874	2,828,366	343,508
Natural Gas	1,899,500	1,375,835	523,665
Solid Waste	429,068	374,683	54,385
Total Expenses	<u>\$9,268,914</u>	<u>\$8,268,651</u>	<u>\$1,000,263</u>
Change in Net Position	<u>790,838</u>	<u>1,436,790</u>	<u>(645,952)</u>

Governmental Budgetary Highlights

The City amended some of its departmental budgets during the year. See pages 21-27 for an analysis of the budgets. Amendments were made to the budget during the year to reflect the additional expenditures as directed by the Board.

Capital Assets

The City of Hohenwald's investment in capital assets from its governmental activities at June 30, 2022, amounts to \$5,501,797 (net of accumulated depreciation) and its business-type activities amounts to \$21,523,154. This investment in capital assets is in land, buildings, improvements, machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 1,471,351.

City of Hohenwald's Capital Assets- 2022

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvement	\$ 6,887,817	\$ 32,513,548
Equipment	<u>3,056,402</u>	<u>3,177,972</u>
Less accumulated depreciation	(4,442,422)	(14,168,366)
Net Capital Assets	\$ <u>5,501,797</u>	\$ <u>21,523,154</u>

City of Hohenwald's Capital Assets- 2021

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvement	\$ 6,858,578	\$ 32,440,069
Equipment	<u>2,929,481</u>	<u>2,345,179</u>
Less accumulated depreciation	(4,175,742)	(13,327,626)
Net Capital Assets	\$ <u>5,612,317</u>	\$ <u>21,457,622</u>

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

Long-term Debt

The City has total debt of \$8,628,030 of which \$57,600 is general obligation debt for a sanitation truck and \$446,880 in landfill post-closure costs), \$7,623,050 is debt of the Water and Sewer Utility system, and \$500,500 is debt for the Natural Gas system. During the year, the City borrowed for improvements to the Water and Sewer system. All debts are being are paid as scheduled.

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

Economic Factors and Next Year's Budget and Rates

In the 2022-2023 budget, General fund revenues and user charges are budgeted to increase from the 2021-2022 budget year primarily due to increases in user charges and local revenues. The City's budget has benefited by an expanding commercial and retail base producing increased local sales tax receipts. Expenses are expected to remain stable during the 2022-2023 fiscal year.

All of these factors were considered in preparing the City's budget for the 2022-2023 fiscal year.

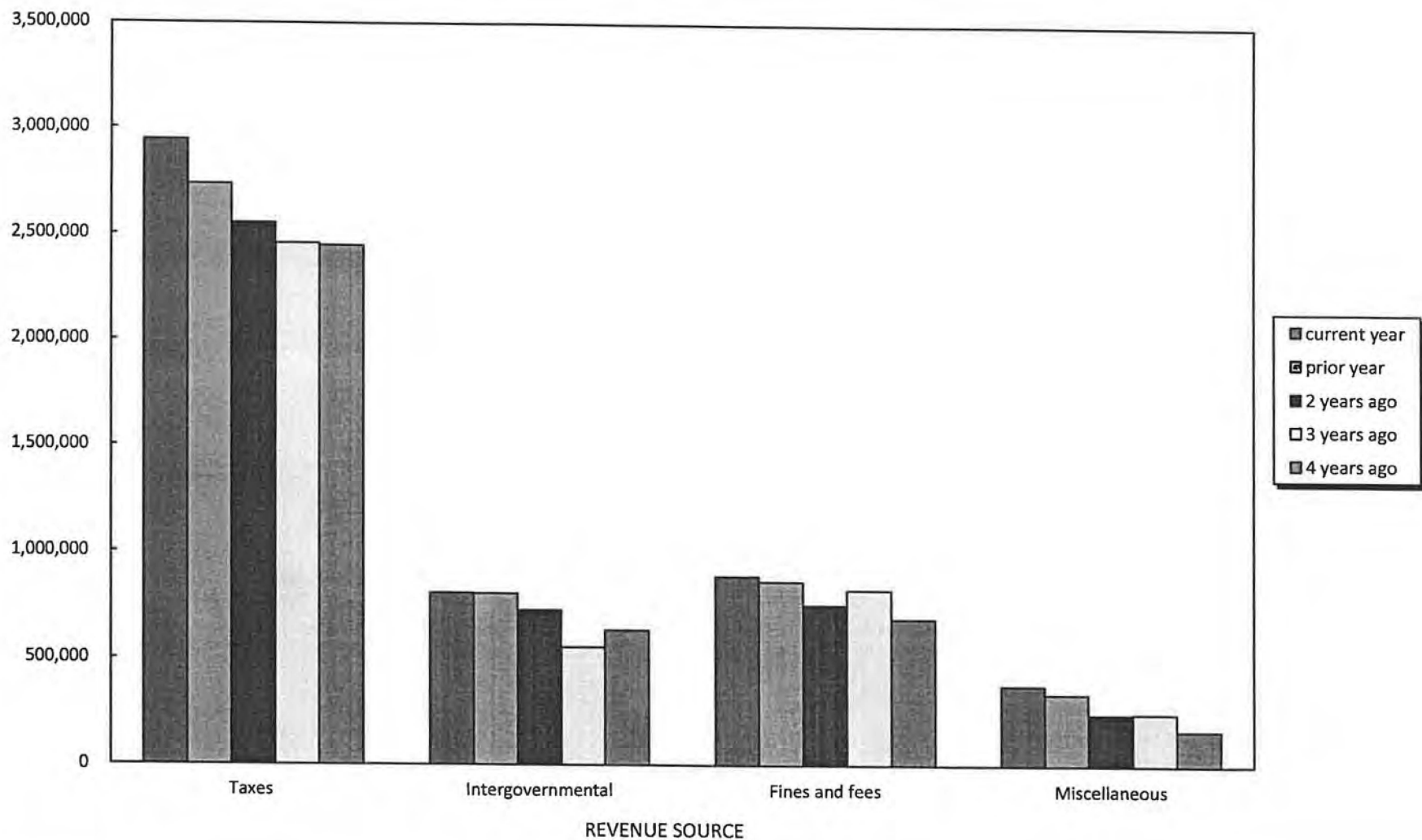
Requests for Information

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

Kyle Hamm
City of Hohenwald

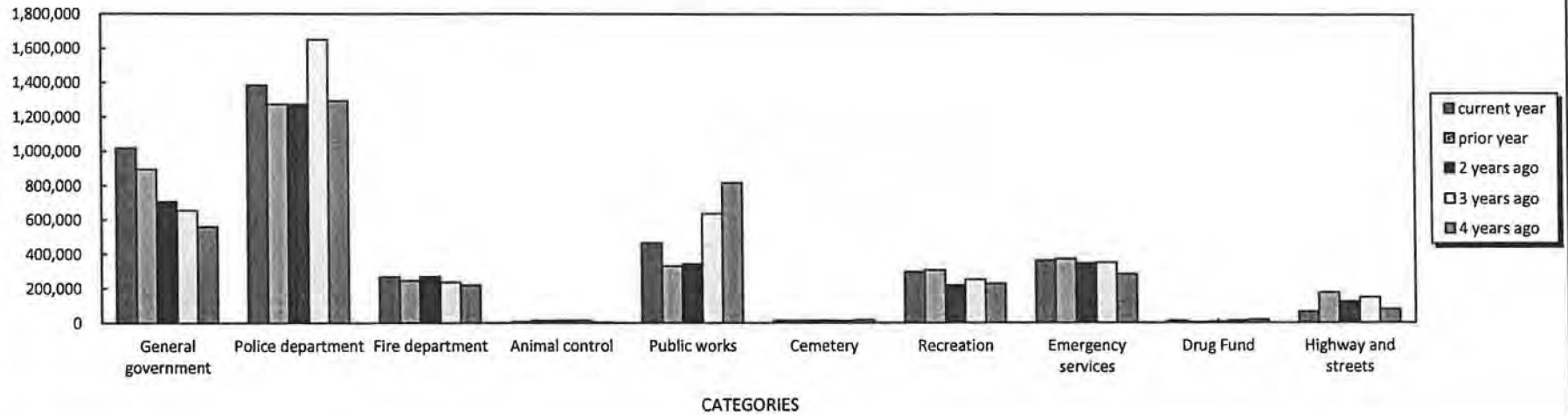
CITY OF HOHENWALD

GOVERNMENTAL FUND REVENUES



CITY OF HOHENWALD

GOVERNMENTAL FUND EXPENDITURES



BASIC FINANCIAL STATEMENTS

CITY OF HOHENWALD, TENNESSEE

Statement of Net Position

June 30, 2022

Assets	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	3,879,433	2,713,815	6,593,248
Receivables	1,151,260	596,470	1,747,730
Prepaid assets	35,058	25,809	60,867
Inventory	0	304,559	304,559
Net pension asset	805,011	433,468	1,238,479
Capital assets not being depreciated	856,582	199,184	1,055,766
Capital assets, net of accumulated depreciation	4,645,215	21,323,970	25,969,185
Total Assets	11,372,559	25,597,275	36,969,834
Deferred Outflows of Resources:			
Deferred outflows of resources - OPEB	63,702	34,301	98,003
Deferred outflows of resources - pension	525,164	282,781	807,945
Total Deferred Outflows of Resources	588,866	317,082	905,948
Liabilities, Deferred Inflows, and Net Position			
Liabilities:			
Accounts payable	27,454	144,942	172,396
Accrued expenses	150,285	86,397	236,682
Total OPEB Liability	222,559	119,840	342,399
Long-term liabilities:			
Post closure care cost	446,880	0	446,880
Premium on Long-term debt	0	162,684	162,684
Due within one year	18,700	765,365	784,065
Due in more than one year	38,900	7,358,185	7,397,085
Total Liabilities	904,778	8,637,413	9,542,191
Deferred Inflows of Resources:			
Deferred inflows of resources - property tax	750,333	0	750,333
Deferred inflows of resources - unspent grant funds	565,684	0	565,684
Deferred inflows of resources - OPEB	179,568	96,690	276,258
Deferred inflows of resources - pension	817,688	440,294	1,257,982
Total Deferred Inflows of Resources	2,313,273	536,984	2,850,257
Net Position:			
Net investment in Capital Assets	5,444,197	13,399,604	18,843,801
Restricted - Debt Service	0	446,312	446,312
Restricted - State street aid fund	127,941	0	127,941
Restricted - Drug fund	29,541	0	29,541
Restricted - Solid Waste fund	145,166	0	145,166
Unrestricted	2,996,529	2,894,044	5,890,573
Total Net Position	8,743,374	16,739,960	25,483,334

See accompanying notes to financial statements.

CITY OF HOHENWALD, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2022

Function/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Government Activities:						
General government	680,829	32,436	187,486		(440,907)	0
Police department	1,430,963	182,402	13,600	0	(1,234,961)	0
Fire department	328,680	0	0	0	(328,680)	0
Animal control	6,952	0	0	0	(6,952)	0
Public works	461,431	0	0	0	(461,431)	0
Cemetery	13,827	5,200	0	0	(8,627)	0
Parks	45,352	0	0	0	(45,352)	0
Economic development	128,527	3,000	0	0	(125,527)	0
Emergency services	364,377	224,118	0	0	(140,259)	0
Golf Course	250,209	165,169	0	0	(85,040)	0
Solid Waste fund	429,068	425,749	0	0	(3,319)	0
Drug fund	12,095	15,605	0	0	3,510	0
Highway and streets	65,230	0	135,586	0	70,356	0
Total Governmental Activities	4,197,540	1,053,679	336,672	0	(2,807,189)	0
Business - type Activities:						
Water and Sewer Fund	3,171,874	2,997,364	0	0	0	(174,510)
Natural gas fund	1,899,500	2,042,192	0	0	0	142,692
Total Business Type Activities	5,071,374	5,039,556	0	0	0	(31,818)
Total	9,268,914	6,093,235	336,672	0	(2,807,189)	(31,818)
General Revenues:						
Property taxes					710,183	0
Public utility taxes					138,193	0
Sales taxes					2,024,550	0
Beer and liquor taxes					345,340	0
Franchise taxes					45,528	0
Business taxes					143,519	0
State income and excise taxes					36,353	0
Sale of assets					119,238	5,299
Interest income					4,070	6
Other					57,566	0
Total general revenues					3,624,540	5,305
Changes in Net Position					817,351	(26,513)
Net Position - beginning of year					7,926,023	16,766,473
Net position - ending of year					8,743,374	16,739,960

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF HOHENWALD, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2022

	General Fund	State Street Aid Fund	Drug Fund	Solid Waste Fund	Total
<u>Assets</u>					
Cash and cash equivalents	\$3,650,469	\$110,858	\$29,541	\$88,565	\$3,879,433
Accounts receivable:					
Property taxes receivable	804,333	0	0	0	804,333
Customers	1,286	0	0	62,201	63,487
Other governments	261,215	22,225	0	0	283,440
	<u>1,066,834</u>	<u>22,225</u>	<u>0</u>	<u>62,201</u>	<u>1,151,260</u>
Prepaid assets	<u>32,142</u>	<u>0</u>	<u>0</u>	<u>2,916</u>	<u>35,058</u>
 Total Assets	 <u>\$4,749,445</u>	 <u>\$133,083</u>	 <u>\$29,541</u>	 <u>\$153,682</u>	 <u>\$5,065,751</u>
<u>Liabilities, Deferred Inflow of Resources and Fund Balance</u>					
Liabilities:					
Accounts payable	\$17,512	5,142	0	4,800	27,454
Accrued expenses	<u>31,916</u>	<u>0</u>	<u>0</u>	<u>3,716</u>	<u>35,632</u>
 Total Liabilities	 <u>49,428</u>	 <u>5,142</u>	 <u>0</u>	 <u>8,516</u>	 <u>63,086</u>
Deferred Inflow of Resources:					
Deferred - unspent grant funds	565,684	0	0	0	565,684
Deferred current property taxes	750,333	0	0	0	750,333
Deferred delinquent property taxes	<u>54,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>54,000</u>
Total Deferred Inflow of Resources	<u>1,370,017</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,370,017</u>
Fund Balance:					
Assigned - DARE program	30,235	0	0	0	30,235
Non-spendable	32,142	0	0	0	32,142
Unassigned	3,267,623	0	0	0	3,267,623
Restricted	<u>0</u>	<u>127,941</u>	<u>29,541</u>	<u>145,166</u>	<u>302,648</u>
Total Fund Balance	<u>3,330,000</u>	<u>127,941</u>	<u>29,541</u>	<u>145,166</u>	<u>3,632,648</u>
 Total Liabilities, Deferred Inflows, and Fund Balance	 <u>\$4,749,445</u>	 <u>\$133,083</u>	 <u>\$29,541</u>	 <u>\$153,682</u>	 <u>\$5,065,751</u>

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

CITY OF HOHENWALD, TENNESSEE

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

June 30, 2022

Amounts reported for fund balance - total governmental funds	\$ <u>3,632,648</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 governmental funds	5,501,797
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds	54,000
Pension related accounts - governmental funds do not record these post-benefit obligations	
Net pension asset	805,011
Deferred outflow - pension	525,164
Deferred inflow - pension	(817,688)
OPEB related accounts - governmental funds do not record these post-benefit obligations	
Total OPEB liability	(222,559)
Deferred outflow - OPEB	63,702
Deferred inflow - OPEB	(179,568)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds	
Accrued vacation expense	(114,853)
Post closure care costs	(446,880)
Bonds payable	<u>(57,600)</u>
Net Position of governmental activities	\$ <u>8,743,374</u>

See accompanying notes to financial statements.

CITY OF HOHENWALD, TENNESSEE

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

For the Year Ended June 30, 2022

	General Fund	State Street Aid Fund	Drug Fund	Solid Waste Fund	Total Governmental Funds
Revenues:					
Taxes	2,944,566	0	0	0	2,944,566
Intergovernmental	679,945	128,801	0	0	808,746
Fines and fees	446,986	0	15,605	425,749	888,340
Miscellaneous	377,588	0	0	0	377,588
Total revenues	<u>\$4,449,085</u>	<u>\$128,801</u>	<u>\$15,605</u>	<u>\$425,749</u>	<u>\$5,019,240</u>
Expenditures:					
General government	752,800	0	0	0	752,800
Police department	1,357,747	0	0	0	1,357,747
Fire department	266,017	0	0	0	266,017
Animal control	6,532	0	0	0	6,532
Public works	363,924	0	0	0	363,924
Cemetery	13,827	0	0	0	13,827
Golf Course	237,871	0	0	0	237,871
Parks	45,000	0	0	0	45,000
Economic development	128,527	0	0	0	128,527
Emergency services	364,377	0	0	0	364,377
Drug fund expenses	0	0	12,095	0	12,095
Solid Waste fund	0	0	0	413,037	413,037
Highway and streets	0	65,230	0	0	65,230
Capital outlay					
General government	138,815	0	0	0	138,815
Police department	26,127	0	0	0	26,127
Public works	100,958	0	0	0	100,958
Golf Course	14,000	0	0	0	14,000
Debt service					
Principal	0	0	0	18,200	18,200
Interest	0	0	0	1,794	1,794
Total expenditures	<u>\$3,816,522</u>	<u>\$65,230</u>	<u>\$12,095</u>	<u>\$433,031</u>	<u>\$4,326,878</u>
Excess (deficiency) of revenues over expenditures	<u>632,563</u>	<u>63,571</u>	<u>3,510</u>	<u>(7,282)</u>	<u>692,362</u>
 Fund balance, beginning of year	2,697,437	64,370	26,031	152,448	2,940,286
Fund balance, end of year	<u>\$3,330,000</u>	<u>\$127,941</u>	<u>\$29,541</u>	<u>\$145,166</u>	<u>\$3,632,648</u>

See accompanying notes to financial statements.

CITY OF HOHENWALD, TENNESSEE

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

For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds:	\$ 692,362
Amounts reported for governmental activities in the statement of net position are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Acquisition of capital assets	285,650
Depreciation expense	(326,037)
Loss on sale of assets	(70,133)
Liabilities not reported in the governmental fund -- change in accrued vacation liability	(9,213)
Liabilities not reported in the governmental fund -- change in pension plan accrual	231,699
Liabilities not reported in the governmental fund -- change in post retirement benefits liability	(828)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(4,349)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds	
Debt principal payments	<u>18,200</u>
Change in Net Position of governmental activities	\$ <u>817,351</u>

See accompanying notes to financial statements.

CITY OF HOHENWALD, TENNESSEE

Statement of Net Position

Proprietary Funds

June 30, 2022

	Water and Sewer Fund	Natural Gas Fund	Total
<u>Assets and Deferred Outflows</u>			
Current Assets:			
Cash and cash equivalents	\$422,981	\$2,290,834	2,713,815
Customer accounts receivable, net of allowance	467,558	128,912	596,470
Prepaid assets	20,949	4,860	25,809
Inventory	89,349	215,210	304,559
Total Current Assets	<u>1,000,837</u>	<u>2,639,816</u>	<u>3,640,653</u>
Capital Assets:			
Capital assets in service	32,630,668	3,060,852	35,691,520
Less accumulated depreciation	<u>(12,300,666)</u>	<u>(1,867,700)</u>	<u>(14,168,366)</u>
Total Capital Assets, Net	<u>20,330,002</u>	<u>1,193,152</u>	<u>21,523,154</u>
Net Pension Asset	<u>260,081</u>	<u>173,387</u>	<u>433,468</u>
 Total Assets	 <u>\$21,590,920</u>	 <u>\$4,006,355</u>	 <u>\$25,597,275</u>
Deferred outflows:			
Deferred outflows of resources - OPEB	20,581	13,720	34,301
Deferred outflows of resources - pension	<u>169,668</u>	<u>113,113</u>	<u>282,781</u>
Total Deferred Outflows	<u>\$190,249</u>	<u>\$126,833</u>	<u>\$317,082</u>
 <u>Liabilities</u>			
Accounts payable	52,085	92,857	144,942
Accrued expenses	54,715	31,682	86,397
Net OPEB Liability	71,904	47,936	119,840
Premium on Long-term debt	162,684	0	162,684
Long-term debt due within one year	733,865	31,500	765,365
Long-term debt due in more than one year	<u>6,889,185</u>	<u>469,000</u>	<u>7,358,185</u>
Total Liabilities	<u>7,964,438</u>	<u>672,975</u>	<u>8,637,413</u>
Deferred Inflows			
Deferred inflow of resources - OPEB	58,014	38,676	96,690
Deferred inflow of resources - pension	<u>264,176</u>	<u>176,118</u>	<u>440,294</u>
Total Deferred Inflows	<u>322,190</u>	<u>214,794</u>	<u>536,984</u>
Net Position:			
Net investment in capital assets	12,706,952	692,652	13,399,604
Restricted - Debt service	400,000	46,312	446,312
Unrestricted	<u>387,589</u>	<u>2,506,455</u>	<u>2,894,044</u>
Total Net Position	<u>13,494,541</u>	<u>3,245,419</u>	<u>16,739,960</u>

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

CITY OF HOHENWALD, TENNESSEE

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

Enterprise Funds

For the Year Ended June 30, 2022

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Total</u>
Operating Revenues:			
Service fees	\$2,887,980	\$1,964,151	\$4,852,131
Tap and connection fees	73,848	60,285	134,133
Other income	35,536	17,756	53,292
Total Operating Revenues	<u>2,997,364</u>	<u>2,042,192</u>	<u>5,039,556</u>
Operating Expenses:			
Salaries	674,998	391,414	1,066,412
Payroll taxes	46,021	27,358	73,379
Employee benefits	114,699	105,997	220,696
Training and travel	9,768	1,966	11,734
Fees and memberships	18,662	3,027	21,689
Utilities	323,811	33,707	357,518
Professional services	66,420	33,056	99,476
Natural gas purchased	0	906,205	906,205
Insurance	73,154	15,698	88,852
Repair and maintenance	261,227	48,442	309,669
Supplies	456,782	169,431	626,213
Office expense	2,345	1,663	4,008
Vehicle expense	50,420	13,982	64,402
Miscellaneous	2,939	1,126	4,065
Depreciation	826,400	129,740	956,140
Total Operating Expenses	<u>2,927,646</u>	<u>1,882,812</u>	<u>4,810,458</u>
Operating income (loss)	<u>69,718</u>	<u>159,380</u>	<u>229,098</u>
Nonoperating Revenues (Expenses):			
Interest income	6	0	6
Gain/(loss) on sale of assets	(42,986)	48,285	5,299
Interest expense	(244,228)	(16,688)	(260,916)
Total Nonoperating Revenues (Expenses)	<u>(287,208)</u>	<u>31,597</u>	<u>(255,611)</u>
Net change in position	(217,490)	190,977	(26,513)
Net Position, July 1, 2021	<u>13,712,031</u>	<u>3,054,442</u>	<u>16,766,473</u>
Net Position, June 30, 2022	<u>\$13,494,541</u>	<u>\$3,245,419</u>	<u>\$16,739,960</u>

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

CITY OF HOHENWALD, TENNESSEE

Statement of Cash Flows

Proprietary Fund Types

For the Year Ended June 30, 2022

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from customers	2,989,129	2,018,171	5,007,300
Cash paid to suppliers	(1,277,801)	(1,210,713)	(2,488,514)
Cash paid to employees	(835,718)	(524,769)	(1,360,487)
Net Cash Provided (Used) by Operating Activities	<u>875,610</u>	<u>282,689</u>	<u>1,158,299</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(1,058,893)	(126,808)	(1,185,701)
Gain/loss on sale of assets	(42,986)	48,285	5,299
Loan proceeds	1,950,480	0	1,950,480
Interest paid	(244,228)	(16,688)	(260,916)
Repayment of debt	(1,810,455)	(29,750)	(1,840,205)
Net Cash Provided (Used) by Capital and Financing Activities	<u>(1,206,082)</u>	<u>(124,961)</u>	<u>(1,331,043)</u>
Cash Flows from Investing Activities:			
Interest received	6	0	6
Net Cash Flows from Investing Activities	<u>6</u>	<u>0</u>	<u>6</u>
Net Change in Cash	<u>(330,466)</u>	<u>157,728</u>	<u>(172,738)</u>
Cash and Cash Equivalents, July 1, 2021	753,447	2,133,106	2,886,553
Cash and Cash Equivalents, June 30, 2022	<u>422,981</u>	<u>2,290,834</u>	<u>2,713,815</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	69,718	159,380	229,098
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	826,400	129,740	956,140
Change in assets (increase) decrease:			
Receivables	(8,235)	(24,021)	(32,256)
Inventory	(10,136)	(106,600)	(116,736)
Prepaid assets	(2,304)	(497)	(2,801)
Deferred outflows	(125,113)	(25,821)	(150,934)
Net pension asset	(220,538)	(145,880)	(366,418)
Change in liabilities increase (decrease):			
Total OPEB liability	(40,975)	(30,588)	(71,563)
Accounts payable	338	42,249	42,587
Accrued expenses	(13,193)	5,154	(8,039)
Deferred inflows	399,648	279,573	679,221
Net Cash Provided (Used) by Operating Activities	<u>875,610</u>	<u>282,689</u>	<u>1,158,299</u>

See accompanying notes to the financial statements.

CITY OF HOHENWALD, TENNESSEE

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

General Fund

For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes:				
Property taxes	\$745,000	\$745,000	\$714,532	(30,468)
Public utility taxes	84,312	84,000	99,856	15,856
Local sales tax	1,150,000	1,430,000	1,597,824	167,824
Local beer and liquor tax	225,500	237,500	333,796	96,296
Mixed drink tax	5,000	5,000	9,511	4,511
Franchise taxes	49,000	49,000	45,528	(3,472)
Business taxes	65,000	65,000	143,519	78,519
Total Taxes	<u>2,323,812</u>	<u>2,615,500</u>	<u>2,944,566</u>	<u>329,066</u>
Intergovernmental:				
TVA in lieu	44,000	44,000	38,337	(5,663)
State sales tax	300,000	360,000	426,726	66,726
State beer tax	0	0	2,033	2,033
State income tax	35,000	35,000	970	(34,030)
State special petroleum tax	7,500	7,000	6,785	(215)
Grants	1,500	1,500	156,111	154,611
State supplement	9,200	11,200	13,600	2,400
Corporate excise tax	17,000	20,000	35,383	15,383
Total Intergovernmental Revenue	<u>414,200</u>	<u>478,700</u>	<u>679,945</u>	<u>201,245</u>
Fines and fees:				
Building permits	5,000	10,000	10,703	703
Police fines	15,200	12,200	20,063	7,863
Golf course revenues	138,500	146,600	165,169	18,569
Dispatcher reimbursement	221,000	233,000	224,118	(8,882)
Cemetery	800	2,800	5,200	2,400
Other fines and fees	1,100	13,000	21,733	8,733
Total Fines and Fees	<u>381,600</u>	<u>417,600</u>	<u>446,986</u>	<u>29,386</u>
Miscellaneous:				
Miscellaneous	24,900	12,462	2,804	(9,658)
Economic development	3,000	3,000	3,000	0
Insurance recoveries	3,000	3,000	54,762	51,762
Charges for services	178,000	170,000	162,339	(7,661)
Donations	0	1,600	31,375	29,775
Sale of assets	0	100,000	119,238	19,238
Interest income	25,000	25,000	4,070	(20,930)
Total Miscellaneous Revenue	<u>233,900</u>	<u>315,062</u>	<u>377,588</u>	<u>62,526</u>
Total Revenues	<u>3,353,512</u>	<u>3,826,862</u>	<u>4,449,085</u>	<u>622,223</u>

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

CITY OF HOHENWALD, TENNESSEE

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

General Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:				
General Government:				
Current:				
Salaries	151,000	240,000	255,157	(15,157)
Payroll taxes	11,552	18,360	16,760	1,600
Employee benefits	70,200	86,200	89,551	(3,351)
Utilities	38,000	38,000	38,472	(472)
Professional services	58,500	61,500	69,452	(7,952)
Office supplies	22,300	29,300	35,069	(5,769)
Supplies	16,700	15,700	69,550	(53,850)
Donations	12,000	12,000	37,285	(25,285)
Travel and training	7,000	7,000	9,282	(2,282)
Insurance	16,000	19,000	21,522	(2,522)
Dues and subscriptions	7,400	7,400	2,635	4,765
Vehicle expenses	10,000	10,000	10,876	(876)
Repair and maintenance	17,250	17,250	22,449	(5,199)
Grant expenses	0	0	62,902	(62,902)
Miscellaneous	10,250	10,250	11,838	(1,588)
	448,152	571,960	752,800	(180,840)
Debt service	179,653	0	0	0
Capital outlay	60,000	792,738	138,815	653,923
Total General Government	687,805	1,364,698	891,615	473,083
Public Safety:				
Police Department:				
Current:				
Salaries	806,000	806,000	826,093	(20,093)
Payroll taxes	60,000	55,000	56,801	(1,801)
Employee benefits	264,000	264,000	306,045	(42,045)
Training	8,000	8,000	6,033	1,967
Dues and subscriptions	1,900	1,900	10,792	(8,892)
Utilities	8,500	8,500	14,301	(5,801)
Insurance	41,000	41,000	39,986	1,014
Vehicle expense	29,000	29,000	46,498	(17,498)
Repair & maintenance	4,200	3,000	10,260	(7,260)
Supplies	26,850	30,550	36,336	(5,786)
Professional services	11,200	11,200	891	10,309
Miscellaneous	8,250	21,250	3,711	17,539
	1,268,900	1,279,400	1,357,747	(78,347)
Capital outlay	15,500	85,000	26,127	58,873
Total Police Department	1,284,400	1,364,400	1,383,874	(19,474)
Fire Department:				
Current:				
Salaries and volunteer firemen	130,000	136,000	143,865	(7,865)
Payroll taxes	17,100	8,500	10,387	(1,887)
Employee benefits	35,200	42,300	34,910	7,390
Training and travel	2,250	2,000	720	1,280
Repair and maintenance	2,750	10,000	11,706	(1,706)
Supplies	17,750	18,000	2,071	15,929
Uniforms	15,000	15,000	21,593	(6,593)
Utilities	12,311	12,311	13,991	(1,680)
Insurance	12,000	12,000	13,329	(1,329)
Vehicle expenses	6,500	6,500	13,380	(6,880)
Miscellaneous	2,000	2,000	65	1,935
	252,861	264,611	266,017	(1,406)
Capital outlay	2,500	2,500	0	2,500
Total Fire Department	255,361	267,111	266,017	1,094
Total Public Safety	1,539,761	1,631,511	1,649,891	(18,380)

Continued on next page

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

CITY OF HOHENWALD, TENNESSEE

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

General Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Animal Control				
Salary and benefits	11,566	14,742	360	14,382
Maintenance and supplies	4,100	4,100	6,172	(2,072)
	15,666	18,842	6,532	12,310
Capital outlay	0	0	0	0
Total Animal Control	15,666	18,842	6,532	12,310
Public Works:				
Salaries	62,000	163,000	149,345	13,655
Payroll taxes	11,953	12,470	10,122	2,348
Employee benefits	32,675	56,855	57,457	(602)
Repair and maintenance	38,000	36,500	65,145	(28,645)
Vehicle expense	17,500	17,000	32,185	(15,185)
Materials and supplies	39,000	25,500	40,595	(15,095)
Utilities	10,000	10,000	7,019	2,981
Miscellaneous	5,050	550	2,056	(1,506)
	216,178	321,875	363,924	(42,049)
Capital outlay	148,400	240,000	100,958	139,042
Total Public Works	364,578	561,875	464,882	96,993
Cemetery				
Repair and maintenance	17,100	17,100	13,827	3,273
	17,100	17,100	13,827	3,273
Capital outlay	0	0	0	0
Total Cemetery	17,100	17,100	13,827	3,273
Golf Course:				
Salaries	90,000	125,000	104,625	20,375
Payroll taxes	9,735	9,562	7,592	1,970
Employee benefits	6,000	10,850	16,474	(5,624)
Utilities	15,600	15,600	18,496	(2,896)
Repair and maintenance	23,000	24,000	30,567	(6,567)
Tournament Prizes	9,000	9,000	7,322	1,678
Vehicle expense	8,300	8,300	8,413	(113)
Insurance	1,200	1,200	1,666	(466)
Materials and supplies	33,000	32,000	41,781	(9,781)
Miscellaneous	3,300	3,300	935	2,365
	199,135	238,812	237,871	941
Capital outlay	0	25,000	14,000	11,000
Total Golf Course	199,135	263,812	251,871	11,941

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

CITY OF HOHENWALD, TENNESSEE

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

General Fund

For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Parks and Recreation:				
Donation	45,000	45,000	45,000	0
	45,000	45,000	45,000	0
Capital outlay	0	0	0	0
Total Parks and Recreation	45,000	45,000	45,000	0
Economic development:				
Salaries	38,000	39,000	44,970	(5,970)
Payroll taxes	2,907	2,984	2,569	415
Employee benefits	11,380	11,380	18,082	(6,702)
Site development	15,000	18,000	11,064	6,936
Training and travel	4,300	3,500	714	2,786
Materials and supplies	500	1,300	47,255	(45,955)
Utilities	480	480	1,095	(615)
Miscellaneous	20,000	20,000	2,778	17,222
	92,567	96,644	128,527	(31,883)
Debt service	0	0	0	0
Total Economic development	92,567	96,644	128,527	(31,883)
Emergency Services:				
Salaries	265,000	245,000	256,210	(11,210)
Payroll taxes	17,500	16,000	17,273	(1,273)
Employee benefits	99,150	115,650	87,768	27,882
Memberships	7,200	7,200	561	6,639
Supplies	3,050	3,530	2,565	965
	391,900	387,380	364,377	23,003
Capital outlay	0	0	0	0
Total Emergency Services	391,900	387,380	364,377	23,003
 Total Expenditures	 3,353,512	 4,386,862	 3,816,522	 570,340
 Excess (deficiency) of Revenues over Expenditures	 0	 (560,000)	 632,563	 1,192,563
 Fund Balance, July 1, 2021	 2,697,437	 2,697,437	 2,697,437	 0
Fund Balance, June 30, 2022	2,697,437	2,137,437	3,330,000	1,192,563

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

CITY OF HOHENWALD, TENNESSEE

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

State Street Aid Fund

For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental:				
Gasoline .03 tax	19,000	21,000	19,505	(1,495)
Gasoline 1989 tax	12,000	12,000	10,526	(1,474)
Gasoline 2017 tax	35,000	37,000	33,996	(3,004)
Gasoline and motor fuel	<u>72,000</u>	<u>68,000</u>	<u>64,774</u>	<u>(3,226)</u>
Total Revenues	<u>138,000</u>	<u>138,000</u>	<u>128,801</u>	<u>(9,199)</u>
Expenditures:				
Streets:				
Street lights	86,000	86,000	65,230	20,770
Maintenance and repair	130,000	52,000	0	52,000
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>216,000</u>	<u>138,000</u>	<u>65,230</u>	<u>72,770</u>
Excess (deficiency) of revenues over expenditures	(78,000)	0	63,571	63,571
Fund Balance, July 1, 2021	<u>64,370</u>	<u>64,370</u>	<u>64,370</u>	<u>-</u>
Fund Balance, June 30, 2022	<u><u>(\$13,630)</u></u>	<u><u>\$64,370</u></u>	<u><u>127,941</u></u>	<u><u>63,571</u></u>

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

CITY OF HOHENWALD, TENNESSEE

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

Drug Fund

For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Fines and Fees:				
Drug related	20,000	20,000	15,605	(4,395)
Miscellaneous:				
Sale of equipment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>15,605</u>	<u>(4,395)</u>
Expenditures:				
Supplies	20,000	20,000	12,095	7,905
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>20,000</u>	<u>20,000</u>	<u>12,095</u>	<u>7,905</u>
Excess (deficiency) of revenues over expenditures	0	0	3,510	3,510
Fund Balance, July 1, 2021	<u>26,031</u>	<u>26,031</u>	<u>26,031</u>	<u>0</u>
Fund Balance, June 30, 2022	<u><u>\$26,031</u></u>	<u><u>\$26,031</u></u>	<u><u>29,541</u></u>	<u><u>3,510</u></u>

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

CITY OF HOHENWALD, TENNESSEE

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

Solid Waste Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Service fees	377,000	435,000	425,749	(9,251)
Total Revenues	<u>377,000</u>	<u>435,000</u>	<u>425,749</u>	<u>(9,251)</u>
Expenses:				
Salaries	160,000	190,000	195,588	(5,588)
Payroll taxes	23,290	14,535	13,117	1,418
Employee benefits	96,000	106,550	83,558	22,992
Fees	3,100	1,000	237	763
Utilities	6,500	6,500	6,016	484
Professional services	10,500	0	6,827	(6,827)
Insurance	4,900	4,900	3,782	1,118
Repair and maintenance	4,631	4,631	3,728	903
Supplies	9,400	5,400	18,689	(13,289)
Garbage cans	16,000	14,389	16,725	(2,336)
Vehicle expense	22,500	64,500	46,035	18,465
Miscellaneous	100	2,600	18,735	(16,135)
	<u>356,921</u>	<u>415,005</u>	<u>413,037</u>	<u>1,968</u>
Debt service	<u>20,079</u>	<u>19,995</u>	<u>19,994</u>	<u>1</u>
Total Expenditures	<u>377,000</u>	<u>435,000</u>	<u>433,031</u>	<u>1,969</u>
Excess (deficiency) of revenues over expenditures	0	0	(7,282)	(7,282)
Fund Balance, July 1, 2021	152,448	152,448	152,448	0
Fund Balance, June 30, 2022	<u>\$152,448</u>	<u>\$152,448</u>	<u>\$145,166</u>	<u>(\$7,282)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies

The City of Hohenwald, Tennessee, was incorporated by the Private Act of the Tennessee General Assembly. The City provides the following services, as authorized by its charter and duly passed ordinances: public safety (Police and Fire), water and sewerage, natural gas, streets, sanitation, recreations, public improvements, planning and zoning, and general administrative services. The accounting policies of the City of Hohenwald, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity:

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

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

The government-wide financial statements present the City's programs between business-type and governmental activities.

Government -Wide and Fund Financial Statements

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

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies, Continued

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes and most governmental revenues as available if received within 45 days of yearend. Expenditures are recorded generally when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

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

The government reports the following major funds:

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

State Street Aid Fund - The State Street Aid Fund is used to account for the operations of the state shared gasoline revenues.

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies, Continued

Drug Fund - The Drug Fund accounts for the revenues derived from drug-related fines and the City's investigative and educational programs.

Solid Waste Fund - To account for the operations of the Sanitation operations. During the year, the Town moved the Solid Waste Fund to a governmental fund to better reflect its operations.

The government reports the following major proprietary funds:

Water and Sewer Fund - This fund is used to account for the operations of the Water and Sewer Fund.

Natural Gas Fund - This fund is used to account for the operations of the Natural Gas Fund.

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

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

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

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

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

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies, Continued

Receivables and Payables

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

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

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 government has two items (pension and OPEB) that qualifies for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for intergovernmental shared revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, the government has three items (pension, OPEB and unspent grant funds) that qualifies for reporting in this category.

Net Position Flow Assumption

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

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies, Continued

Property Tax

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

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

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

Taxes were levied at a rate of \$1.1253 per \$100 of assessed valuation for the fiscal year ended June 30, 2022. Payments may be made during the period from July 1 through November 1. Current tax collections of \$687,847 for the fiscal year ended June 30, 2022 were approximately 95 percent of the tax levy. Delinquent taxes are turned over to the County for collection as required by the City's Municipal Code.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, streets and sidewalks, and drainage systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of \$2,500 and an estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

The estimated useful lives are as follows:

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

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies, Continued

Inventory

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

Compensated Absences

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

	Balance July 1, <u>2021</u>	Addi- tions	Retire- ments	Balance June 30, <u>2022</u>
Governmental activities	105,440	9,213	-	114,653
Business-type activities	67,323	-	10,742	56,581

Restricted Assets

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

Estimates

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

Pension

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

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of savings accounts, certificates of deposit with original maturities three months or less and amounts held by the State Local Government Investment Pool.

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies, Continued

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds and are presented in the accompanying financial statements as other assets.

In the fund, financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Budgets and Budgetary Accounting

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

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

Government Wide – Net Position

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

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

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

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

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies, Continued

Fund Balance

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

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

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

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

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

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

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

Other Post-Employment Benefit Plan- (OPEB)

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, and OPEB expense, information about the fiduciary net position of the City of Hohenwald's participation in the Local Government OPEB Plan (LGOP), and additions to/deductions from the City of Hohenwald fiduciary net position have been determined on the same basis as they are reported by the LGOP. For this purpose, benefits are recognized when due and payable in accordance with benefit terms of the LGOP.

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(2) Cash and Cash Equivalents

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

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

(3) Accounts Receivable

Accounts receivable at June 30, 2022, consist of the following:

<u>Fund</u>	<u>Other Government</u>	<u>Property Taxes</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	\$ 261,215	804,333	1,286	1,066,834
Special Revenue Funds	22,225	-	62,201	84,426
Enterprise Funds	-	-	1,784,873	1,784,873
Less allowance for doubtful accounts	-	-	(1,188,403)	(1,188,403)
Total	<u>\$ 283,440</u>	<u>804,333</u>	<u>659,957</u>	<u>1,747,730</u>

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(4) Capital Assets

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

	Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Land	\$821,582	35,000	0	856,582
Buildings	3,634,115	0	45,000	3,589,115
Improvements	2,402,881	39,239	0	2,442,120
Vehicles	1,453,928	47,391	14,990	1,486,329
Equipment	1,475,553	164,020	69,500	1,570,073
Total	9,788,059	285,650	129,490	9,944,219
Less Accumulated Depreciation	4,175,742			4,442,422
Net capital assets in service	\$5,612,317			\$5,501,797

All assets, except land of \$856,582, are being depreciated.

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

General Fund:	
General government administration	\$ 65,304
Police department	73,216
Fire department	62,663
Public Works	97,507
Animal shelter	420
Park	352
Golf	12,338
Solid waste	14,237
Total	326,037

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(4) Capital Assets, Continued

A summary of changes in Enterprise (Water and Sewer) Fund capital assets and related accumulated depreciation follows:

	Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Land and easement	\$119,796	0	0	119,796
Buildings	85,014	0	0	85,014
Utility plant	30,013,138	73,479	0	30,086,617
Equipment	1,467,151	985,414	113,324	2,339,241
Total	31,685,099	<u>1,058,893</u>	<u>113,324</u>	32,630,668
Less Accumulated Depreciation	<u>11,520,387</u>			<u>12,300,666</u>
Net capital assets in service	<u>\$20,164,712</u>			<u>\$20,330,002</u>

All assets, except land and easements of \$119,796 are being depreciated. Depreciation expense was \$826,400 in 2022.

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

	Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Land and easement	\$79,388	0	0	79,388
Utility plant	2,142,733	0	0	2,142,733
Equipment	878,028	126,808	166,105	838,731
Total	3,100,149	<u>126,808</u>	<u>166,105</u>	3,060,852
Less Accumulated Depreciation	<u>1,807,239</u>			<u>1,867,700</u>
Net capital assets in service	<u>\$1,292,910</u>			<u>\$1,193,152</u>

All assets, except land of \$79,388, are being depreciated. Depreciation expense was \$129,740 in 2022.

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(5) Long-Term Debt Payable and Other Obligations Payable

Direct Borrowings

The following schedule reflects the changes in long-term debt, as shown for governmental activities during the fiscal year 2022.

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Bonds payable				
Capital Outlay – First TN 2016	75,800	0	18,200	57,600
Total	<u>75,800</u>	<u>0</u>	<u>18,200</u>	<u>57,600</u>

Principal of \$18,700 and interest of \$1,549 is due in the next fiscal year.

The following schedule reflects the changes in long-term debt, as shown in the Enterprise (Water and Sewer) Fund during the fiscal year 2022.

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Series 2022	-	780,480		780,480
State revolving loan	2,820,637	0	250,761	2,569,876
Series 2011	1,230,000	0	1,230,000	0
Series 2019	2,295,000	0	265,000	2,030,000
Series 2020	984,750	0	55,250	929,500
DW-2016-167	152,638	0	9,444	143,194
Series 2021	<u>0</u>	<u>1,170,000</u>		<u>1,170,000</u>
Total	<u>7,483,025</u>	<u>1,950,480</u>	<u>1,810,455</u>	<u>7,623,050</u>

Principal of \$733,865 and interest of \$151,789 is due in the next fiscal year.

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(5) Long-Term Debt Payable and Other Obligations Payable, Continued

The following schedule reflects the changes in long-term debt, as shown in the Enterprise (Natural Gas) Fund during the fiscal year 2022.

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2022</u>
Bonds payable:				
Series 2020	530,250	0	29,750	500,500
Total	<u>530,250</u>	<u>0</u>	<u>29,750</u>	<u>500,500</u>

Principal of \$31,500 and interest of \$14,812 is due in the next fiscal year.

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2022, are as follows:

Year Ending <u>June 30,</u>	<u>General Obligation</u> <u>Principal</u>	<u>Interest</u>
2023	18,700	1,549
2024	19,200	1,046
2025	<u>19,700</u>	<u>531</u>
Total	<u>57,600</u>	<u>3,126</u>

Year Ending <u>June 30,</u>	<u>Water and Sewer Department</u>		<u>Natural Gas Department</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	733,865	151,789	31,500	14,812
2024	746,528	142,369	33,250	13,867
2025	762,482	132,543	33,250	12,869
2026	781,743	121,140	35,000	11,872
2027	797,813	101,812	35,000	10,472
2028-2032	3,146,113	235,432	133,000	5,636
2033-2036	<u>654,506</u>	<u>28,289</u>	<u>-</u>	<u>-</u>
Total	<u>7,623,050</u>	<u>913,374</u>	<u>500,500</u>	<u>100,258</u>

The above bonds payable contain provisions that in the event of default, the lender can use any remedy allowed by state or federal law.

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(6) Pension Plan

General Information about the Pension Plan

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

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

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

Employees covered by benefit terms. At the measurement date of June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	33
Active employees	<u>56</u>
Total	<u>129</u>

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(6) Pension Plan, Continued

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Hohenwald makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2022, employer contributions for Hohenwald were (\$189,522) based on a rate of (4.44%) percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Hohenwald's state shared taxes if required employer contributions are not remitted. The employers actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Hohenwald's net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(6) Pension Plan, Continued

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

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

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

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

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(6) Pension, Continued

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (Asset)	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/20	\$7,996,458	\$8,168,382	(\$171,924)
Changes for the Year:			
Service Cost	170,047	-	170,047
Interest	579,988	-	579,988
Differences between expected and actual experience	(141,306)	-	(141,306)
Changes in Benefit Terms	-	-	-
Changes in assumptions	684,424	-	684,424
Contributions-employer	-	157,895	(157,895)
Contributions-employees	-	108,893	(108,893)
Net investment income	-	2,097,954	(2,097,954)
Benefit payments, including refunds of employee contributions	(333,338)	(333,338)	-
Administrative expense	-	(5,034)	5,034
Other changes	-	-	-
Net changes	959,815	2,026,370	(1,066,555)
Balance at 6/30/21	\$8,956,273	\$10,194,752	\$(1,238,479)

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Hohenwald's net pension Liability (asset)	(26,947)	(1,238,479)	(2,240,579)

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(6) Pension, Continued

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

Pension expense. For the year ended June 30, 2022, Hohenwald recognized negative pension expense of (\$167,263).

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2022, Hohenwald reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	22,057	138,610
Net difference between projected and Actual earning on pension plan		
Investments	-	1,119,372
Changes in assumptions	596,366	-
Contributions subsequent to the Measurement date of June 30, 2021	<u>189,522</u>	<u>-</u>
Total	<u>807,945</u>	<u>1,257,982</u>

The amounts shown above for 'Contributions subsequent to the measurement date of June 30, 2021', will be recognized as a reduction (increase) to net position liability (asset) in the following measurement period.

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

Year Ended June 30:

2023	(172,627)
2024	(169,077)
2025	(177,219)
2026	(211,148)
2027	90,520

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

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(7) Other Postemployment Benefits For Retiree Health Insurance

Plan description – Employees of the City, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government OEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who chose coverage, participate in the LGOP.

Benefits provided -The City offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health-savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The City does not directly subsidize and are only subject to the implicit. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement NO. 75.

Employees covered by benefit terms. At July 1, 2021, the following employees were covered by the benefit terms of the LGOP:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>58</u>
Total	<u>59</u>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to established premium rates. For the fiscal year ended June 30, 2022, the City paid \$31,186 to the LGOP for OPEB benefits as they came due.

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(7) Other Postemployment Benefits For Retiree Health Insurance, Continued

Total OPEB Liability

Actuarial assumptions-The total OPEB liability on the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all the periods included in the measurement, unless otherwise specified.

Inflation -	2.25%
Salary increases -	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent.
Healthcare cost trend rates -	7.36% for pre-65 in 2021, decreasing annually over a 7-year period to an ultimate rate of 4.50%. 7.32% for post-65 in 2021, decreasing annually over a 8-year period to an ultimate rate of 4.50%
Retiree's share of benefit-related costs -	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distributions of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2021, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Discount rate-The discount rate used to measure the total OPEB liability was 2.16 percent. This rate reflects the interest rate derived from yields on a 20-year, tax exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-year Municipal GO AA index.

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(7) Other Postemployment Benefits For Retiree Health Insurance, Continued

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 490,777
Changes for the year:	
Service cost	\$ 41,195
Interest	\$ 11,536
Changes of benefit terms	\$ (19,010)
Differences between expected and actual experience	\$ 6,014
Change in assumptions	\$ (168,037)
Benefit payments	\$ (20,076)
Net changes	\$ (148,378)
Total OPEB liability - ending balance	\$ 342,399

Changes in assumptions-The discount rate was changed from 2.21% as of the beginning of the measurement period to 2.16% as of June 30, 2021. This change in assumption decreased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

Sensitivity of total OPEB liability to changes in the discount rate-The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage higher than the current discount rate.

1% Decrease	Current Discount Rate Assumption	1% Increase
<u>(1.16%)</u>	<u>(2.16%)</u>	<u>(3.16%)</u>
\$ 365,236	\$ 342,399	\$320,731

Sensitivity of total OPEB liability to changes in the healthcare cost trend rate – The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-lower or 1-percentage-point-higher than the current healthcare cost trend rate.

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
(6.36/6.32% Decreasing to 3.50%)	(7.36/7.32% decreasing to 4.50%)	(8.36/8.32% decreasing to 5.50%)
\$308,734	\$342,399	\$381,724

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(7) Other Postemployment Benefits For Retiree Health Insurance, Continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense - For the fiscal year ended June 30, 2022, the City of Hohenwald recognized negative OPEB expense of \$(1,598).

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2022, the City of Hohenwald reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	36,150	127,266
Changes in assumptions	30,667	148,992
Employer payments subsequent to The measurement date	<u>31,186</u>	<u>-</u>
Total	<u>98,003</u>	<u>276,258</u>

The amounts shown above for "Employer payments subsequent to the measurement date" will be recognized as a reduction to total OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in employee benefit expense as follows:

Year Ended June 30:

2023	(35,319)
2024	(35,319)
2025	(35,319)
2026	(36,649)
2027	(43,883)
Thereafter	(22,952)

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

Plan Assets

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

CITY OF HOHENWALD, TENNESSEE

Notes to Financial Statements

June 30, 2022

(8) Commitments and Contingencies

Litigation:

The City attorney estimates that potential claims against the City resulting from such litigation will not materially affect the financial statements of the City at yearend.

Grants:

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

(9) Risk Management

The City is exposed to various risks to general liability and property and casualty losses. The City has decided it is more economically feasible to be in a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage. The City participates in the Public Entity Partners (formerly TML Insurance Pool), which is a public entity risk pool established by the Tennessee Municipal League, an association of member cities. The City pays an annual premium to the PEP for its general liability and property and casualty insurance coverage. The pool reinsures through commercial insurance companies. The City has not had claims in excess of insurance coverage during the last three years.

(10) Closure and Post Closure Care Cost

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The accrued landfill closure and post-closure care cost at yearend, was \$446,880. This represents estimated post-closure cost, based on engineer's projections.

REQUIRED
SUPPLEMENTARY
INFORMATION

CITY OF HOHENWALD, TENNESSEE

Schedule of Required Supplementary Information

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

Last Fiscal Year ending June 30

	2014	2015	2016	2017	2018	2019	2020	2021
Total pension liability (asset)								
Service cost	\$ 158,309	\$ 165,713	\$ 163,192	\$ 186,867	\$ 180,689	\$ 178,474	\$ 181,842	\$ 170,047
Interest	\$ 413,232	\$ 431,408	\$ 466,025	\$ 486,455	\$ 497,965	\$ 524,198	\$ 553,294	\$ 579,988
Changes in benefit terms	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Differences between actual & expected experience	\$ (41,042)	\$ 198,147	\$ (18,598)	\$ (90,700)	\$ 14,358	\$ 43,179	\$ (9,566)	\$ (141,306)
Change of assumptions	-	-	-	\$ 156,093	\$ -	\$ -	\$ -	\$ 684,424
Benefit payments, including refunds of employee contributions	\$ (272,234)	\$ (318,880)	\$ (343,497)	\$ (380,288)	\$ (319,966)	\$ (337,952)	\$ (357,828)	\$ (333,338)
Net change in total pension liability (asset)	\$ 258,265	\$ 476,388	\$ 267,122	\$ 358,427	\$ 373,046	\$ 407,899	\$ 367,742	\$ 959,815
Total pension liability (asset)-beginning	\$ 5,487,569	\$ 5,745,834	\$ 6,222,222	\$ 6,489,344	\$ 6,847,771	\$ 7,220,817	\$ 7,628,716	\$ 7,996,458
Total pension liability (asset)-ending (a)	\$ 5,745,834	\$ 6,222,222	\$ 6,489,344	\$ 6,847,771	\$ 7,220,817	\$ 7,628,716	\$ 7,996,458	\$ 8,956,273
 Plan fiduciary net position								
Contributions-employer	\$ 165,009	\$ 136,520	\$ 146,966	\$ 142,253	\$ 147,152	\$ 152,141	\$ 160,470	\$ 157,895
Contributions-employee	\$ 90,374	\$ 94,182	\$ 112,675	\$ 98,106	\$ 101,484	\$ 104,925	\$ 110,669	\$ 108,893
Net investment income	\$ 877,830	\$ 188,746	\$ 165,183	\$ 711,219	\$ 570,810	\$ 548,493	\$ 388,178	\$ 2,097,954
Benefit payments, including refunds of employee contributions	\$ (272,234)	\$ (318,880)	\$ (343,497)	\$ (380,288)	\$ (319,966)	\$ (337,952)	\$ (357,828)	\$ (333,338)
Administrative expense	\$ (2,166)	\$ (2,994)	\$ (4,402)	\$ (4,625)	\$ (5,338)	\$ (4,937)	\$ (4,996)	\$ (5,034)
Other	-	-	\$ 28,386	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in plan fiduciary net position	\$ 858,813	\$ 97,574	\$ 105,311	\$ 566,665	\$ 494,142	\$ 462,670	\$ 296,493	\$ 2,026,370
Plan fiduciary net position-beginning	\$ 5,286,714	\$ 6,145,527	\$ 6,243,101	\$ 6,348,412	\$ 6,915,077	\$ 7,409,219	\$ 7,871,889	\$ 8,168,382
Plan fiduciary net position-ending (b)	\$ 6,145,527	\$ 6,243,101	\$ 6,348,412	\$ 6,915,077	\$ 7,409,219	\$ 7,871,889	\$ 8,168,382	\$ 10,194,752
 Net Pension Liability (asset)-ending (a) - (b)	\$ (399,693)	\$ (20,879)	\$ 140,932	\$ (67,306)	\$ (188,402)	\$ (243,173)	\$ (171,924)	\$ (1,238,479)
 Plan fiduciary net position as a percentage of total pension liability	106.96%	100.34%	97.83%	100.98%	102.61%	103.19%	102.15%	113.83%
 Covered payroll	\$ 1,791,578	\$ 1,883,029	\$ 2,027,109	\$ 1,962,109	\$ 2,029,678	\$ 2,098,496	\$ 2,213,371	\$ 2,177,856
 Net pension liability (asset) as a percentage of covered payroll	-22.31%	-1.11%	6.95%	-3.43%	-9.28%	-11.59%	-7.77%	-56.87%

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

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

CITY OF HOHENWALD, TENNESSEE

**Schedule of Contributions Based on Participation in the
Public Employee Pension Plan of TCRS**

For the Year Ended June 30, 2022

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially determined contribution	165,009	136,432	146,966	124,594	97,019	109,961	98,274	96,697	189,522
Contributions in relation to the actuarially determined contribution	<u>165,009</u>	<u>136,432</u>	<u>146,966</u>	<u>142,253</u>	<u>147,152</u>	<u>152,141</u>	<u>160,470</u>	<u>157,895</u>	<u>189,522</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$17,659)</u>	<u>(\$50,133)</u>	<u>(\$42,180)</u>	<u>(\$62,196)</u>	<u>(\$61,198)</u>	<u>\$0</u>
Covered-employee payroll	<u>1,791,578</u>	<u>1,802,112</u>	<u>2,027,109</u>	<u>1,962,109</u>	<u>2,029,678</u>	<u>2,098,496</u>	<u>2,213,371</u>	<u>2,177,856</u>	<u>2,614,097</u>
Contributions as a percentage covered-employee payroll	9.21%	7.57%	7.25%	6.35%	4.78%	5.24%	4.44%	4.44%	7.25%

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

Notes to Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2022 were calculated based on the June 30, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.25 percent

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

CITY OF HOHENWALD, TENNESSEE

Schedule of Required Supplementary Information- OPEB

Schedule of Changes in Total OPEB Liability and Related Ratios

Measurement Year ending June 30

	2018	2019	2020	2021	2022
Total OPEB Liability					
Service Cost	\$ 27,829	\$ 26,514	\$ 17,373	\$ 15,652	\$ 41,195
Interest on the Total OPEB Liability	\$ 9,648	\$ 12,115	\$ 5,022	\$ 7,018	\$ 11,536
Change in Benefit Terms	\$ -	\$ (38,709)	\$ (10,715)	\$ 280,882	\$ (19,010)
Difference between expected and actual experience of the Total OPEB Liability	\$ -	\$ (187,730)	\$ 55,233	\$ (28,014)	\$ 6,014
Changes in assumptions and other inputs	\$ (13,543)	\$ 5,009	\$ 5,618	\$ 35,530	\$ (168,037)
Benefit payments	\$ (16,203)	\$ (9,268)	\$ (10,075)	\$ (9,101)	\$ (20,076)
Net change in Total OPEB Liability	<u>\$ 7,731</u>	<u>\$ (192,069)</u>	<u>\$ 62,456</u>	<u>\$ 301,967</u>	<u>\$ (148,378)</u>
Total OPEB Liability - Beginning	<u>\$ 310,692</u>	<u>\$ 318,423</u>	<u>\$ 126,354</u>	<u>\$ 188,810</u>	<u>\$ 490,777</u>
Total OPEB Liability - Ending	<u>\$ 318,423</u>	<u>\$ 126,354</u>	<u>\$ 188,810</u>	<u>\$ 490,777</u>	<u>\$ 342,399</u>
Estimated Covered -Employee Payroll	N/A	N/A	\$ 2,098,496	\$ 2,108,456	\$ 2,614,097
Total OPEB Liability as a Percentage of Covered- Employee Payroll	N/A	N/A	9.00%	23.28%	13.10%

Notes to Schedule

Note: There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan. The amounts reported for each fiscal year were determined as of the prior fiscal year-end. The amounts reported for each fiscal year were determined as of the prior fiscal year-end. This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

SUPPLEMENTAL INFORMATION

CITY OF HOHENWALD, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Changes in Capital Assets By Type

June 30, 2022

<u>Description</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2022</u>
Land	\$821,582	35,000	0	856,582
Buildings	3,634,115	0	45,000	3,589,115
Improvements	2,402,881	39,239	0	2,442,120
Vehicles	1,453,928	47,391	14,990	1,486,329
Equipment	<u>1,475,553</u>	<u>164,020</u>	<u>69,500</u>	<u>1,570,073</u>
Total Capital Assets	<u>\$9,788,059</u>	<u>285,650</u>	<u>129,490</u>	<u>9,944,219</u>

CITY OF HOHENWALD, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Capital Assets By Function and Activity

June 30, 2022

Description	Land	Buildings	Improvements	Vehicles and Equipment	Total
General Government	\$646,726	3,424,870	413,709	469,698	4,955,003
Police Department	0	1,150	0	561,191	562,341
Fire Department	0	0	0	894,922	894,922
Public Works	0	56,085	1,685,116	355,374	2,096,575
Garage	0	53,067	0	24,175	77,242
Park	0	7,735	340,126	7,030	354,891
Golf course	148,312	35,709	0	288,247	472,268
Animal control	0	10,499	0	0	10,499
Solid Waste	33,475	0	0	455,765	489,240
Cemetery	28,069	0	3,169	0	31,238
Total Assets	<u>\$856,582</u>	<u>3,589,115</u>	<u>2,442,120</u>	<u>3,056,402</u>	<u>9,944,219</u>

CITY OF HOHENWALD, TENNESSEE

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

June 30, 2022

	<u>Carrying Value</u>
General Fund:	
Demand deposits	\$3,650,469
Total General Fund	<u>3,650,469</u>
State Street Aid Fund - demand deposit	<u>110,858</u>
Drug Fund - demand deposit	<u>29,541</u>
Water and Sewer Fund:	
Demand deposits	422,981
Total Water and Sewer Fund	<u>422,981</u>
Natural Gas Fund:	
Demand deposits	2,290,834
Total Natural Gas Fund	<u>2,290,834</u>
Solid Waste Fund	<u>88,565</u>
 Total Cash and Cash Equivalents - All Funds	 <u>\$6,593,248</u>

CITY OF HOHENWALD, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2022

Tax Year	Balance July 1, 2021	Levy	Collections and Changes in Assessment	Balance June 30, 2022
2022	\$ -	750,333	0	750,333
2021	723,201	0	687,847	35,354
2020	39,662	0	28,455	11,207
2019	15,365	0	8,465	6,900
2018	2,057	0	1,518	539
2017	1,265	0	1,265	0
	<u>781,550</u>	<u>750,333</u>	<u>727,550</u>	<u>804,333</u>

Tax Year	Tax Rate	Tax Levy	Tax Adjustment and Collections	Outstanding Taxes
2022	\$ 1.1300	\$ 750,333	\$ 0	\$ 750,333
2021	1.1253	723,201	687,847	35,354
2020	1.1253	709,912	698,705	11,207
2019	1.35	723,221	716,321	6,900
2018	1.50	757,142	756,603	539
2017	1.50	751,654	751,654	0
2016	1.50	747,739	747,739	0
2015	1.50	736,929	736,929	0
2014	1.50	735,112	735,112	0
2013	1.50	745,467	745,467	0
2012	1.07	505,665	505,665	0

All delinquent taxes have been turned over to the County.

CITY OF HOHENWALD, TENNESSEE

**Schedule of Debt Service Requirements-
General Obligation Debt**

June 30, 2022

<u>Year</u>	Capital Outlay Notes First TN - Solid Waste		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 18,700	1,549	18,700	1,549
2024	19,200	1,046	19,200	1,046
2025	<u>19,700</u>	<u>531</u>	<u>19,700</u>	<u>531</u>
	<u>\$ 57,600</u>	<u>3,126</u>	<u>57,600</u>	<u>3,126</u>

CITY OF HOHENWALD, TENNESSEE

Schedule of Debt Service Requirements
Water and Sewer Fund

June 30, 2022

Year	Water and Sewer Revenue and Tax Refunding Bond Series 2021		State Revolving Loan CGA-2008-219		Water and Sewer Revenue and Tax Refunding Bond Series 2019		Water and Sewer Revenue Series 2020		Equipment Acquisition CON Series 2022		State of Tennessee DW-2016-167		TOTAL	TOTAL
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 70,000	29,250	254,776	35,408	270,000	40,600	58,500	27,507	70,480	17,701	10,109	1,323	733,865	151,789
2024	70,000	27,850	258,467	31,717	275,000	38,500	61,750	25,752	71,000	17,253	10,311	1,297	746,528	142,369
2025	75,000	26,025	262,215	27,969	280,000	37,850	61,750	23,900	73,000	15,528	10,517	1,271	762,482	132,543
2026	75,000	23,775	266,016	24,168	290,000	36,150	65,000	22,047	75,000	13,754	10,727	1,246	781,743	121,140
2027	80,000	21,450	269,871	20,313	295,000	27,450	65,000	19,447	77,000	11,931	10,942	1,221	797,813	101,812
2028	80,000	19,050	273,784	16,400	305,000	18,600	68,250	16,717	79,000	10,060	11,161	1,197	817,195	82,024
2029	80,000	16,650	277,752	12,432	315,000	9,450	71,500	14,117	81,000	8,141	11,384	1,173	836,636	61,963
2030	85,000	14,175	281,778	8,406			74,750	11,257	83,000	6,173	11,612	1,150	856,140	41,161
2031	90,000	11,550	285,863	4,321			78,000	8,267	85,000	4,156	11,844	1,127	876,707	29,421
2032	90,000	8,850	139,354	1,112			78,000	6,707	86,000	3,090	12,081	1,104	892,435	20,863
2033	90,000	6,600					81,250	5,147			12,323	1,082	904,758	12,829
2034	95,000	4,750					81,250	3,522			12,569	1,060	917,319	9,332
2035	95,000	2,850					84,500	1,796			7,614	532	924,933	5,178
2036	95,000	950											95,000	950
	<u>1,170,000</u>	<u>213,775</u>	<u>\$ 2,569,876</u>	<u>182,246</u>	<u>2,030,000</u>	<u>208,600</u>	<u>929,500</u>	<u>186,183</u>	<u>780,480</u>	<u>107,787</u>	<u>143,194</u>	<u>14,783</u>	<u>7,623,050</u>	<u>913,374</u>

CITY OF HOHENWALD, TENNESSEE

**Schedule of Debt Service Requirements
Natural Gas Fund**

June 30, 2022

Natural Gas Revenue
Series 2020

	<u>Principal</u>	<u>Interest</u>
<u>Year</u>		
2023	\$ 31,500	14,812
2024	33,250	13,867
2025	33,250	12,869
2026	35,000	11,872
2027	35,000	10,472
2028	36,750	9,002
2029	38,500	7,602
2030	40,250	6,062
2031	42,000	4,452
2032	42,000	3,612
2033	43,750	2,772
2034	43,750	1,897
2035	45,500	967
	<u>500,500</u>	<u>100,258</u>

CITY OF HOHENWALD, TENNESSEE

Schedule of Changes in Long-term Debt by Individual Issue

June 30, 2022

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2021	Issued During Period	Matured During Period	Paid and/or Refunded During Period	Outstanding 6/30/2022
Business-Type Activities									
Water and Sewer									
State Revolving	4,948,210	1.44%	2012	12/31/2031	\$ 2,820,637	-	\$ 250,761	-	\$2,569,876
Series 2011	1,900,000	*1.70%	2011	2/28/2036	\$ 1,230,000	-	\$ 1,230,000	-	\$0
DW-2016-167	400,000	0.90%	2008	10/31/2033	\$ 152,638	-	\$ 9,444	-	\$143,194
Series 2022	780,480	2-3%	2022	6/30/2032	\$ -	780,480	\$ -	-	\$780,480
Series 2019	2,620,000	2-3%	2019	5/1/2029	\$ 2,295,000	-	\$ 265,000	-	\$2,030,000
Series 2020	1,040,000	2.25%	2020	6/30/2035	\$ 984,750	-	\$ 55,250	-	\$929,500
Series 2021	1,170,000	*2.00%	2021	6/30/2036	\$ -	1,170,000	\$ -	-	\$1,170,000
Total Notes Payable					\$ 7,483,025	\$ 1,950,480	\$ 1,810,455	\$ -	\$ 7,623,050
Natural Gas									
Series 2020	1,000,000	2.25%	2020	6/30/2035	\$ 530,250	-	\$ 29,750	-	\$500,500
Governmental Activities									
CON - Solid Waste	142,360	1.75%	2016	4/30/2025	\$ 75,800	-	\$ 18,200	-	\$57,600
							\$ -		
Total Notes Payable					\$ 75,800	\$ -	\$ 18,200	\$ -	\$ 57,600

*Variable rate loan

CITY OF HOHENWALD, TENNESSEE

Schedule of Utility Rates in Force

June 30, 2022

<u>Sewer Rates- Residential</u>	<u>Inside City</u>	<u>Outside City</u>
Up to 2,000 gallons	\$23.58 Minimum charge	\$51.78 Minimum charge
Over 2,000 gallons	\$4.00 per 1,000 gallons	\$6.90 per 1,000 gallons

<u>Water Rates- Residential</u>	<u>Inside City</u>	<u>Outside City</u>
Up to 2,000 gallons	\$15.72 Minimum charge	\$34.52 Minimum charge
Over 2,000 gallons	\$3.07 per 1,000 gallons	\$4.60 per 1,000 gallons

Natural Gas Rates - Residential

Per 1,000 MCF's - varies each month based on natural gas costs.

There were approximately 3,550 water customers, approximately 1,565 sewer customers and approximately 2,325 natural gas customers at yearend.

CITY OF HOHENWALD, TENNESSEE
Schedule of Federal and State Financial Assistance
For the Year Ended June 30, 2022

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance June 30, 2021</u>	<u>Grant Receipts</u>	<u>Other Receipts</u>	<u>Grant Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2022</u>
State Program:							
N/A	Z-21THSO128	Tennessee Department of Transportation	<u>0</u>	<u>4,147</u>	<u>0</u>	<u>4,147</u>	<u>0</u>
N/A	TN Cares ACT	Tennessee Department of Finance	<u>0</u>	<u>32,345</u>	<u>0</u>	<u>32,345</u>	<u>0</u>
N/A	Direct Grant	Tennessee Department of Finance	<u>0</u>	<u>56,717</u>	<u>0</u>	<u>56,717</u>	<u>0</u>
Total State			<u>0</u>	<u>93,209</u>	<u>0</u>	<u>93,209</u>	<u>0</u>
Federal Program:							
21.027	American Rescue Plan Act	US Department of Treasury thru the State of Tennessee	<u>\$0</u>	<u>565,684</u>	<u>0</u>	<u>0</u>	<u>(\$565,684)</u>
14.239	HOME Grant	US Department of Transportation thru Tennessee Housing Development Agency	<u>0</u>	<u>62,902</u>	<u>0</u>	<u>62,902</u>	<u>0</u>
Total Federal			<u>0</u>	<u>628,586</u>	<u>0</u>	<u>62,902</u>	<u>(565,684)</u>
Total Federal and State			<u>0</u>	<u>721,795</u>	<u>0</u>	<u>156,111</u>	<u>(565,684)</u>

This schedule prepared on the accrual basis of accounting.

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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HENDERSONVILLE, TN 37075

(615) 822-4177

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

Mayor and Members of the City Council
City of Hohenwald, Tennessee
Hohenwald, Tennessee

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

Internal Control Over Financial Reporting

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

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

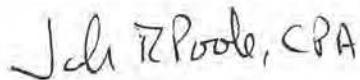
My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit I did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hohenwald's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Handwritten signature of Juli R. Poole, CPA.

December 23, 2022

CITY OF HOHENWALD, TENNESSEE

Schedule of Disposition of Prior Year Comments

June 30, 2022

There were no findings in the prior year.