



TOWN OF CHAPEL HILL, TENNESSEE

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2023

Matlock Clements

Certified Public Accountants

INTRODUCTORY SECTION

TOWN OF CHAPEL HILL, TENNESSEE

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TOWN OF CHAPEL HILL, TENNESSEE

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TOWN OF CHAPEL HILL, TENNESSEE
ROSTER OF PUBLICLY ELECTED AND MANAGEMENT OFFICIALS
June 30, 2023

TOWN ADMINISTRATOR	Danny Bingham, CMFO
RECORDER/TREASURER	Phillip Dye, CMFO*
MAYOR	Mike Faulkenberry
ALDERMEN	Marion Joyce Joe Sedlak Dale Brown Jonathan Gilbert Benjamin Piper Craig McPherson

* Designated with financial oversight responsibility.

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Alderman
Town of Chapel Hill, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Chapel Hill, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Chapel Hill, Tennessee's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund of the Town of Chapel Hill, Tennessee, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, State Street Aid Special Revenue Fund and Drug Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10-16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and financial sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

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

A handwritten signature in blue ink that reads "Matlock Clements, P.C." The signature is written in a cursive, flowing style.

Matlock Clements, P.C.
Murfreesboro, Tennessee
January 29, 2024



Town of Chapel Hill

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

Established 1808

As management of the Town of Chapel Hill, Tennessee, (the “Town” or the “Town of Chapel Hill”) we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2023.

Financial Highlights

- The assets of Town of Chapel Hill exceeded its liabilities at the close of the most recent fiscal year by \$10,893,174. Of this amount \$4,393,831 is unrestricted and may be used to meet the government’s ongoing obligations to citizens and creditors.
- The government’s total net position increased by \$1,259,985.
- At the close of the current fiscal year, the Town of Chapel Hill’s governmental funds combined ending fund balances reported was \$1,199,347, an increase of \$300,248 in comparison of the previous year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$799,148.
- The Town’s total debt obligations increased by \$349,644 due to proprietary fund loan draws for capital projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

TOWN OF CHAPEL HILL

Management's Discussion and Analysis (Continued)

The *Statement of Activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, compensated absences, etc.).

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

The government-wide financial statements can be found as listed in the table of contents.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and business-type activities reported in the proprietary funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements can be found on pages 13-15 of this report.

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

The Town adopts an annual appropriated budget for all governmental funds. Budgetary comparison statements have been provided in this report as listed in the table of contents.

TOWN OF CHAPEL HILL

Management's Discussion and Analysis (Continued)

Proprietary Funds

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

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

The basic enterprise fund financial statements can be found as listed in the table of contents.

Fiduciary Funds

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Chapel Hill, assets exceeded liabilities by \$10,893,174 at the close of the most recent fiscal year.

The largest portion of the Town's net position (58%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF CHAPEL HILL

Management's Discussion and Analysis (Continued)

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 2,274,203	\$ 2,137,513	\$ 3,399,715	\$ 1,880,973	\$ 5,673,918	\$ 4,018,486
Non-depreciable assets	522,523	518,123	502,951	422,951	1,025,474	941,074
Depreciable assets	3,608,960	3,818,931	4,725,291	4,869,438	8,334,251	8,688,369
Total assets	6,405,686	6,474,567	8,627,957	7,173,362	15,033,643	13,647,929
Long-term liabilities	1,812,252	1,928,423	1,315,561	803,255	3,127,813	2,731,678
Other	316,535	504,686	54,791	146,637	371,326	651,323
Total liabilities	2,128,787	2,433,109	1,370,352	949,892	3,499,139	3,383,001
Deferred current property taxes	641,330	641,007	-	-	641,330	641,007
Total deferred inflow of resources	641,330	641,007	-	-	641,330	641,007
Net Position:						
Net investment in capital assets	2,350,060	2,408,631	3,928,343	4,489,134	6,278,403	6,897,765
Restricted	117,599	125,052	103,341	98,515	220,940	223,567
Unrestricted	1,167,910	876,036	3,225,921	1,635,821	4,393,831	2,511,857
Total net position	\$ 3,635,569	\$ 3,409,719	\$ 7,257,605	\$ 6,223,470	\$ 10,893,174	\$ 9,633,189

An additional portion of the Town's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position representing unrestricted net position (40%) may be used to meet the Town's ongoing obligations to citizens and creditors.

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

Comparisons with the prior year data are presented above and on the following page. During the current fiscal year, the Town's net position increased by \$1,259,985. There was an increase of \$225,850 in net position in the governmental activities. There was an increase of \$1,034,135 in net position in the business-type activities.

TOWN OF CHAPEL HILL

Management's Discussion and Analysis (Continued)

CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Program revenues:						
Charges for services	\$ 104,545	\$ 115,626	\$ 1,925,345	\$ 2,630,602	\$ 2,029,890	\$ 2,746,228
Operating grants & contributions	5,819	144,126	768,500	56,516	774,319	200,642
Capital grants & contributions	319,052	41,100	-	10,516	319,052	51,616
General revenues:						
Property taxes	656,305	634,548	-	-	656,305	634,548
Other taxes	1,159,727	1,026,919	-	-	1,159,727	1,026,919
Other	89,048	69,095	50,852	39,132	139,900	108,227
Total revenues	2,334,496	2,031,414	2,744,697	2,736,766	5,079,193	4,768,180
Expenses:						
General government	688,549	671,395	-	-	688,549	671,395
Public safety	1,163,586	1,096,188	-	-	1,163,586	1,096,188
Recreation	150,187	85,612	-	-	150,187	85,612
Highways and streets	106,324	96,770	-	-	106,324	96,770
Water and sewer	-	-	1,572,695	1,242,921	1,572,695	1,242,921
Sanitation	-	-	137,867	143,522	137,867	143,522
Total Expenses	2,108,646	1,949,965	1,710,562	1,386,443	3,819,208	3,336,408
Change in net position	225,850	81,449	1,034,135	1,350,323	1,259,985	1,431,772
Net position, beginning	3,409,719	3,328,270	6,223,470	4,873,147	9,633,189	8,201,417
Net position, ending	\$ 3,635,569	\$ 3,409,719	\$ 7,257,605	\$ 6,223,470	\$ 10,893,174	\$ 9,633,189

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the Town's governmental funds reported an ending fund balance of \$1,199,347 an increase of \$300,248 in comparison with the prior year.

TOWN OF CHAPEL HILL

Management's Discussion and Analysis (Continued)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$799,148, which is 74% of the governmental funds. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 41% of total general fund expenditures while the total general fund balance represents 56% of total general fund expenditures.

The fund balance of the Town's general fund increased by \$305,477 in the current fiscal year.

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

Unrestricted net position of the Water and Sewer Fund and Sanitation Fund at the end of the year amounted to \$3,225,921. The combined net position for both funds increased by \$1,034,135. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business type activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investments in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to 16,394,114 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads and highways.

CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land and construction in progress	\$ 522,523	\$ 518,123	\$ 502,951	\$ 422,951	\$ 1,025,474	\$ 941,074
Buildings	2,173,823	2,168,823	1,603,459	1,603,459	3,777,282	3,772,282
Improvements other than buildings	840,690	833,717	37,604	37,604	878,294	871,321
Machinery and equipment	2,519,132	2,479,078	386,517	327,005	2,905,649	2,806,083
Infrastructure	378,868	378,868	7,428,547	7,401,843	7,807,415	7,780,711
Accumulated depreciation	(2,303,553)	(2,041,555)	(4,730,836)	(4,500,473)	(7,034,389)	(6,542,028)
Total Capital Assets, net	\$ 4,131,483	\$ 4,337,054	\$ 5,228,242	\$ 5,292,389	\$ 16,394,114	\$ 16,171,471

TOWN OF CHAPEL HILL

Management's Discussion and Analysis (Continued)

LONG-TERM DEBT

At the end of the current fiscal year, the Town of Chapel Hill had a total debt outstanding of \$3,081,322. The entire amount is comprised of debt backed by the full faith and credit of the General Government. Additionally, \$1,299,899 of this debt is backed by the revenues of the Water and Sewer System.

OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Bonds	\$ 1,551,423	\$ 1,656,423	\$ 1,243,949	\$ 719,766	\$ 2,795,372	\$ 2,376,189
Capital outlay notes	230,000	272,000	-	-	230,000	272,000
Capital lease	-	-	55,950	83,489	55,950	83,489
	<u>\$ 1,781,423</u>	<u>\$ 1,928,423</u>	<u>\$ 1,299,899</u>	<u>\$ 803,255</u>	<u>\$ 3,081,322</u>	<u>\$ 2,731,678</u>

Information on the Town's long-term debt can be found in Note 4 beginning on page 34 of this report.

CURRENT YEAR'S BUDGET ANALYSIS

The following are notable variances in the general fund budget between actual and expected results during the 2022-2023 fiscal year:

- All departments were underbudget (general government - \$2,291; public safety - \$28,202; highways - \$1,930; and recreation - \$52,949).

The following factors will be considered in preparing the Town's budget for the 2023-2024 fiscal year:

- Large variances in departmental spending was due to the timing and cost of capital outlay needs.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following factors will be considered in preparing the Town's budget for the 2023-2024 fiscal year:

- Increase in growth of the local economy and property development resulting in a broader tax base
- Improvements needed to utility facilities to fulfill the increased need from growth

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

TOWN OF CHAPEL HILL, TENNESSEE
Government-Wide Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 1,144,931	\$ 3,278,184	\$ 4,423,115
Restricted assets, cash	106,997	-	106,997
Receivables	863,598	134,079	997,677
Inventories	-	47,805	47,805
Prepaid expenses	67,114	31,210	98,324
Internal Balances	91,563	(91,563)	-
Total Current Assets	<u>2,274,203</u>	<u>3,399,715</u>	<u>5,673,918</u>
Non-current Assets			
Capital assets			
Land	268,284	101,707	369,991
CIP	254,239	401,244	655,483
Other capital assets - net of accumulated depreciation	3,608,960	4,725,291	8,334,251
Total capital assets	<u>4,131,483</u>	<u>5,228,242</u>	<u>9,359,725</u>
TOTAL ASSETS	<u><u>\$ 6,405,686</u></u>	<u><u>\$ 8,627,957</u></u>	<u><u>\$ 15,033,643</u></u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	\$ 30,780	\$ 54,791	\$ 85,571
Restricted bond payable	285,755	-	285,755
Total current liabilities	<u>316,535</u>	<u>54,791</u>	<u>371,326</u>
Non-current Liabilities			
Compensated absences	30,829	15,662	46,491
Due within one year	151,000	114,093	265,093
Due in more than one year	1,630,423	1,185,806	2,816,229
Total non-current liabilities	<u>1,812,252</u>	<u>1,315,561</u>	<u>3,127,813</u>
TOTAL LIABILITIES	<u><u>\$ 2,128,787</u></u>	<u><u>\$ 1,370,352</u></u>	<u><u>\$ 3,499,139</u></u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 641,330	\$ -	\$ 641,330
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>\$ 641,330</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 641,330</u></u>
NET POSITION			
Net investment in capital assets	\$ 2,350,060	\$ 3,928,343	\$ 6,278,403
Restricted for:			
Public safety	6,565	-	6,565
Highways and streets	111,034	-	111,034
Sanitation	-	103,341	103,341
Unrestricted	1,167,910	3,225,921	4,393,831
TOTAL NET POSITION	<u><u>\$ 3,635,569</u></u>	<u><u>\$ 7,257,605</u></u>	<u><u>\$ 10,893,174</u></u>

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

TOWN OF CHAPEL HILL, TENNESSEE
Government-Wide Statement of Activities
Year Ended June 30, 2023

Functions/Programs					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Program Revenues			Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 622,825	\$ 94,338	\$ -	\$ -	\$ (528,487)	\$ -	\$ (528,487)
Public safety	1,163,586	57	5,819	319,052	(838,658)	-	(838,658)
Recreation	150,187	10,150	-	-	(140,037)	-	(140,037)
Highways and streets	106,324	-	-	-	(106,324)	-	(106,324)
Debt Service	65,724	-	-	-	(65,724)	-	(65,724)
Total governmental activities	<u>2,108,646</u>	<u>104,545</u>	<u>5,819</u>	<u>319,052</u>	<u>(1,679,230)</u>	<u>-</u>	<u>(1,679,230)</u>
Business-type activities:							
Water and Sewer	1,572,695	1,788,131	768,500	-	-	983,936	983,936
Sanitation	137,867	137,214	-	-	-	(653)	(653)
Total business-type activities	<u>1,710,562</u>	<u>1,925,345</u>	<u>768,500</u>	<u>-</u>	<u>-</u>	<u>983,283</u>	<u>983,283</u>
Total Primary Government	<u>\$ 3,819,208</u>	<u>\$ 2,029,890</u>	<u>\$ 774,319</u>	<u>\$ 319,052</u>	<u>(1,679,230)</u>	<u>983,283</u>	<u>(695,947)</u>
General revenues:							
Unrestricted:							
Property tax					656,305	-	656,305
Sales tax					542,850	-	542,850
Alcoholic beverage tax					241,634	-	241,634
Other state taxes					375,243	-	375,243
Gain on sale of surplus equipment					4,250	-	4,250
Franchise Fees					6,975	-	6,975
Other					71,824	41,717	113,541
Unrestricted investment earnings					5,999	9,135	15,134
Total general revenues					<u>1,905,080</u>	<u>50,852</u>	<u>1,955,932</u>
Change in net position					225,850	1,034,135	1,259,985
Net position - beginning, as previously stated					3,409,719	6,247,427	9,657,146
Prior period adjustment (Note 9)					-	(23,957)	(23,957)
Net position - beginning, as restated					<u>3,409,719</u>	<u>6,223,470</u>	<u>9,633,189</u>
Net position - end					<u>\$ 3,635,569</u>	<u>\$ 7,257,605</u>	<u>\$ 10,893,174</u>

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

TOWN OF CHAPEL HILL, TENNESSEE
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	State Street Aid Fund	Drug Fund	Total Governmental Funds
ASSETS				
Cash	\$ 1,144,931	\$ 100,432	\$ 6,565	\$ 1,251,928
Receivables	806,745	-	-	806,745
Due from other governments	46,654	10,199	-	56,853
Due from other funds	91,563	5,346	-	96,909
Prepaid expense	67,114	-	-	67,114
Total Assets	<u>\$ 2,157,007</u>	<u>\$ 115,977</u>	<u>\$ 6,565</u>	<u>\$ 2,279,549</u>
LIABILITIES				
Accounts payable	\$ 22,823	\$ -	\$ -	\$ 22,823
Other accrued expenses	5,990	-	-	5,990
Restricted bond payable	285,755	-	-	285,755
Due to other funds	5,346	-	-	5,346
Total Liabilities	<u>\$ 319,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 319,914</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 658,280	\$ -	\$ -	\$ 658,280
Deferred revenue - other	97,065	4,943	-	102,008
Total Deferred Inflows of Resources	<u>\$ 755,345</u>	<u>\$ 4,943</u>	<u>\$ -</u>	<u>\$ 760,288</u>
FUND BALANCES				
Nonspendable	\$ 67,114	\$ -	\$ -	\$ 67,114
Restricted	-	111,034	6,565	117,599
Assigned:				
Industrial development	215,486	-	-	215,486
Unassigned	799,148	-	-	799,148
Total Fund Balances	<u>\$ 1,081,748</u>	<u>\$ 111,034</u>	<u>\$ 6,565</u>	<u>\$ 1,199,347</u>

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

TOWN OF CHAPEL HILL, TENNESSEE
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2023

Total fund balances per governmental funds balance sheet	\$ 1,199,347
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	4,131,483
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	118,958
Accrued interest is not recorded on the governmental fund balance sheet but is recorded on the statement of net position.	(1,967)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	<u>(1,812,252)</u>
Net position of governmental activities	<u><u>\$ 3,635,569</u></u>

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

TOWN OF CHAPEL HILL, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2023

	General Fund	State Street Aid Fund	Drug Fund	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 631,990	\$ -	\$ -	\$ 631,990
Wholesale beer & liquor	241,634	-	-	241,634
Sales	542,850	-	-	542,850
Fines	33,513	-	57	33,570
Licenses and permits	60,825	-	-	60,825
Franchise Fees	6,975	-	-	6,975
Intergovernmental	640,277	59,837	-	700,114
Recreation	10,150	-	-	10,150
Investment earnings	5,999	-	-	5,999
Other revenue	71,824	-	-	71,824
Total Revenues	<u>2,246,037</u>	<u>59,837</u>	<u>57</u>	<u>2,305,931</u>
EXPENDITURES				
Current Expenditures				
General government	585,294	-	-	585,294
Public safety	987,403	-	3,355	990,758
Highways and streets	80,843	31,625	-	112,468
Recreation	82,794	-	-	82,794
Debt service				
Principal	128,100	18,900	-	147,000
Interest	45,200	11,213	-	56,413
Capital Outlay	35,206	-	-	35,206
Total Expenditures	<u>1,944,840</u>	<u>61,738</u>	<u>3,355</u>	<u>2,009,933</u>
Excess (deficiency) of revenues over (under) expenditures	301,197	(1,901)	(3,298)	295,998
OTHER FINANCING SOURCES (USES)				
Sale of surplus equipment	4,250	-	-	4,250
Total Other Financing Sources (Uses)	<u>4,250</u>	<u>-</u>	<u>-</u>	<u>4,250</u>
Excess (deficiency) of revenues and other sources (uses) over (under) expenditures	305,447	(1,901)	(3,298)	300,248
Fund Balances - beginning	<u>784,762</u>	<u>112,934</u>	<u>9,863</u>	<u>907,559</u>
Priod Period Adj. (Note 9)	(8,460)	-	-	(8,460)
Fund Balances - beginning (restated)	<u>776,302</u>	<u>112,934</u>	<u>9,863</u>	<u>899,099</u>
Fund Balances - end	<u>\$ 1,081,749</u>	<u>\$ 111,033</u>	<u>\$ 6,565</u>	<u>\$ 1,199,347</u>

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

TOWN OF CHAPEL HILL, TENNESSEE
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of the Governmental Funds to the Statement of Activities
Year Ended June 30, 2023

Net change in fund balances for total governmental funds	\$ 300,248
Governmental funds report capital outlay as expenditures, however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.	(205,573)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	24,315
Accrued leave reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	(30,829)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. This amount is the difference in the treatment of long-term debt and related items.	<u>137,689</u>
Change in net position of governmental activities	<u><u>\$ 225,850</u></u>

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

TOWN OF CHAPEL HILL, TENNESSEE
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2023

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes:				
Property	\$ 650,000	\$ 650,000	\$ 631,990	\$ (18,010)
Wholesale beer & liquor	233,900	233,900	241,634	7,734
Sales	385,000	385,000	542,850	157,850
Fines	15,000	15,000	33,513	18,513
Licenses and permits	76,500	76,500	60,825	(15,675)
Franchise Fees	9,500	9,500	6,975	(2,525)
Intergovernmental:				
Grants	-	-	325,030	325,030
State sales tax	160,000	160,000	203,774	43,774
State city streets (Petroleum Special)	-	-	3,146	3,146
Corporate excise tax	28,000	28,000	41,777	13,777
Telecommunications	46,400	46,400	43,106	(3,294)
State sports betting	750	750	2,800	2,050
TVA payments in lieu of tax	8,200	8,200	20,644	12,444
Recreation	6,000	6,000	10,150	4,150
Investment earnings	3,500	3,500	5,999	2,499
Other revenue	54,457	54,457	71,824	17,367
Total Revenues	1,677,207	1,677,207	2,246,037	568,830
EXPENDITURES				
General government				
Wages and Benefits	187,252	187,252	154,539	32,713
Insurance	62,600	62,600	58,632	3,968
Professional Fees	211,000	211,000	229,247	(18,247)
Utilities	16,800	16,800	25,011	(8,211)
Office expense	15,500	15,500	9,583	5,917
Supplies	13,000	13,000	8,769	4,231
Repairs and maintenance	20,500	20,500	26,373	(5,873)
Subscription and dues	7,050	7,050	4,623	2,427
Public relations	15,000	15,000	28,061	(13,061)
Contributions and grant expenditures	22,500	22,500	29,720	(7,220)
Capital outlay	11,000	11,000	12,746	(1,746)
Debt Service	84,000	84,000	79,171	4,829
Other expenditures	13,300	13,300	10,736	2,564
Total General government	679,502	679,502	677,211	2,291

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

TOWN OF CHAPEL HILL, TENNESSEE
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
General Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES (Continued)				
Public safety:				
Wages and Benefits	530,377	530,377	513,958	16,419
Insurance	200,300	200,300	235,955	(35,655)
Utilities	18,800	18,800	25,967	(7,167)
Office expense	1,500	1,500	2,004	(504)
Supplies	32,900	32,900	38,802	(5,902)
Repairs and maintenance	31,300	31,300	70,773	(39,473)
Subscription and dues	5,550	5,550	6,058	(508)
Public relations	4,500	4,500	3,810	690
Professional Fees	52,900	52,900	51,051	1,849
Capital outlay	105,814	105,814	18,060	87,754
Debt Service	54,000	54,000	48,076	5,924
Other expenditures	43,800	43,800	39,025	4,775
Total public safety	1,081,741	1,081,741	1,053,539	28,202
Highways and streets:				
Wages and Benefits	19,400	19,400	27,061	(7,661)
Insurance	1,200	1,200	11,407	(10,207)
Professional Fees	-	-	6,450	(6,450)
Utilities	2,100	2,100	3,197	(1,097)
Supplies	1,500	1,500	1,591	(91)
Repairs and maintenance	4,000	4,000	26,357	(22,357)
Other expenditures	5,000	5,000	4,780	220
Debt Service	25,000	25,000	23,027	1,973
Capital outlay	52,000	52,000	4,400	47,600
Total highways and streets	110,200	110,200	108,270	1,930
Recreation:				
Wages and Benefits	36,700	36,700	29,947	6,753
Insurance	600	600	1,087	(487)
Professional Fees	30,000	30,000	25,618	4,382
Utilities	16,500	16,500	20,498	(3,998)
Supplies	2,750	2,750	73	2,677
Repairs and maintenance	7,200	7,200	5,571	1,629
Debt Service	25,000	25,000	23,027	1,973
Capital outlay	40,000	40,000	-	40,000
Total recreation	158,750	158,750	105,821	52,929

TOWN OF CHAPEL HILL, TENNESSEE
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
General Fund
Year Ended June 30, 2023

	Budgeted Amounts			
	Original	Final	Actual	Variance
Total Expenditures	<u>2,030,193</u>	<u>2,030,193</u>	<u>1,944,841</u>	<u>85,352</u>
Other Sources and Uses				
Sale of surplus equipment	<u>10,000</u>	<u>10,000</u>	<u>4,250</u>	<u>5,750</u>
Net change in fund balances	(342,986)	(342,986)	305,446	483,478
Fund Balances - beginning	<u>784,762</u>	<u>784,762</u>	<u>784,762</u>	<u>-</u>
Prior period adjustment (Note 9)	<u>-</u>	<u>-</u>	<u>(8,460)</u>	<u>-</u>
Fund Balances - beginning as restated	<u>784,762</u>	<u>784,762</u>	<u>776,302</u>	<u>-</u>
Fund Balances - end	<u><u>\$ 441,776</u></u>	<u><u>\$ 441,776</u></u>	<u><u>\$ 1,081,748</u></u>	<u><u>\$ 483,478</u></u>

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

TOWN OF CHAPEL HILL, TENNESSEE
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
State Street Aid Special Revenue Fund
Year Ended June 30, 2023

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Intergovernmental:				
State gas and motor fuel	\$ 32,500	\$ 32,500	\$ 35,493	\$ 2,993
State gas and motor fuel (Gas 3 cent)	8,000	8,000	8,882	882
State gas and motor fuel (Petroleum Special)	500	500	-	(500)
State gas and motor fuel (2017)	14,000	14,000	15,462	1,462
Total Revenues	<u>55,000</u>	<u>55,000</u>	<u>59,837</u>	<u>4,837</u>
EXPENDITURES				
Current Expenditures				
Repair and Maintenance	12,500	12,500	12,500	-
Street lighting	15,000	15,000	19,125	(4,125)
Debt service	36,000	36,000	30,112	5,888
Total Expenditures	<u>63,500</u>	<u>63,500</u>	<u>61,737</u>	<u>5,888</u>
Net change in fund balances	(8,500)	(8,500)	(1,900)	(1,051)
Fund Balances - beginning	<u>112,934</u>	<u>112,934</u>	<u>112,934</u>	<u>-</u>
Fund Balances - end	<u>\$ 104,434</u>	<u>\$ 104,434</u>	<u>\$ 111,034</u>	<u>\$ (1,051)</u>

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

TOWN OF CHAPEL HILL, TENNESSEE
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Drug Special Revenue Fund
Year Ended June 30, 2023

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Fines	\$ 500	\$ 500	\$ 57	\$ (443)
Total Revenues	500	500	57	(443)
EXPENDITURES				
Current:				
Supplies	3,500	3,500	3,355	145
Total Expenditures	3,500	3,500	3,355	145
Net change in fund balances	(3,000)	(3,000)	(3,298)	(588)
Fund Balances - beginning	9,863	9,863	9,863	-
Fund Balances - end	<u>\$ 6,863</u>	<u>\$ 6,863</u>	<u>\$ 6,565</u>	<u>\$ (588)</u>

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

TOWN OF CHAPEL HILL, TENNESSEE
Statement of Net Position
Proprietary Funds
June 30, 2023

	Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
ASSETS			
Current Assets			
Cash	\$ 3,177,237	\$ 100,947	\$ 3,278,184
Accounts receivable	121,410	12,669	134,079
Inventories	47,805	-	47,805
Prepaid Expenses	31,210	-	31,210
Total Current Assets	3,377,662	113,616	3,491,278
Non-current Assets			
Capital assets, net of accumulated depreciation	5,214,097	14,145	5,228,242
Total Assets	\$ 8,591,759	\$ 127,761	\$ 8,719,520
LIABILITIES			
Current Liabilities			
Current maturities of long term debt	\$ 114,093	\$ -	\$ 114,093
Accounts payable	28,900	10,275	39,175
Compensated absences	15,662	-	15,662
Other accrued expenses	15,616	-	15,616
Due to other funds	91,563	-	91,563
Total Current Liabilities	265,834	10,275	276,109
Non-current Liabilities			
Long-term debt, net of current maturities	1,185,806	-	1,185,806
Total Liabilities	\$ 1,451,640	\$ 10,275	\$ 1,461,915
NET POSITION			
Net investment in capital assets	\$ 3,914,198	\$ 14,145	\$ 3,928,343
Restricted	-	103,341	103,341
Unrestricted	3,225,921	-	3,225,921
Total Net Position	\$ 7,140,119	\$ 117,486	\$ 7,257,605

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

TOWN OF CHAPEL HILL, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2023

	Enterprise Funds		
	Water and Sewer	Sanitation	
	Fund	Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,731,732	\$ 134,753	\$ 1,866,485
Other Income	56,399	2,461	58,860
Total Operating Revenues	1,788,131	137,214	1,925,345
OPERATING EXPENSES			
Salaries and Benefits	427,111	-	427,111
Payroll Taxes	31,143	-	31,143
Insurance	191,693	-	191,693
Utilities	79,789	-	79,789
Purchased water for resale	94,264	-	94,264
Repairs and maintenance	154,197	-	154,197
Supplies	161,636	15,644	177,280
Depreciation	236,235	5,475	241,710
Office expense	6,008	-	6,008
Professional Fees	155,106	-	155,106
Gas and oil	8,427	-	8,427
Landfill expense	-	116,748	116,748
Other	13,660	-	13,660
Total Operating Expenses	1,559,269	137,867	1,697,136
Operating income (loss)	228,862	(653)	228,209
NON-OPERATING REVENUES (EXPENSES)			
Interest income	9,132	3	9,135
Interest expense	(13,426)	-	(13,426)
Capacity Fees	768,500	-	768,500
Insurance income	41,717	-	41,717
Total Non-operating Revenues (Expenses)	805,923	3	805,926
Income (Loss) Before Contributions	1,034,785	(650)	1,034,135
Net Position - beginning	6,105,334	142,093	6,247,427
Prior period adjustment (Note 8)	-	(23,957)	(23,957)
Net Position - beginning as restated	6,105,334	118,136	6,223,470
Net Position - end	\$ 7,140,119	\$ 117,486	\$ 7,257,605

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

TOWN OF CHAPEL HILL, TENNESSEE
Statement of Cash Flow
Proprietary Funds
Year Ended June 30, 2023

	Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 2,446,751	\$ 134,597	\$ 2,581,348
Payments to suppliers and others	(856,830)	(140,347)	(997,177)
Payments to employees for wages & benefits	(450,130)	-	(450,130)
Net cash provided (used) by operating activities	1,139,791	(5,750)	1,134,041
Cash Flows from Capital and Related Financing Activities			
Additions to capital assets	(177,564)	-	(177,564)
Principal payments on long-term debt, net	(119,391)	-	(119,391)
Interest paid on long-term debt, net	(13,426)	-	(13,426)
Proceeds from capacity fees	768,500	-	768,500
Proceeds from insurance	41,717	-	41,717
Long-term borrowings, net	616,034	-	616,034
Net cash provided (used) by capital and related financing activities	1,115,870	-	1,115,870
Cash Flows from Investing Activities			
Interest received	9,132	3	9,135
Net cash provided (used) by investing activities	9,132	3	9,135
Net increase (decrease) in cash	2,264,793	(5,747)	2,259,046
Cash - beginning	912,444	106,694	1,019,138
Cash - end	\$ 3,177,237	\$ 100,947	\$ 3,278,184
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 228,862	\$ (653)	\$ 228,209
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	236,235	5,475	241,710
(Increase) decrease in accounts receivable, net	(18,250)	(2,617)	(20,867)
(Increase) decrease in due from other funds	658,212	-	658,212
(Increase) decrease in prepaid expense and other assets	3,281	-	3,281
(Increase) decrease in inventories	15,377	-	15,377
Increase (decrease) in accounts payable	7,306	(695)	6,611
Increase (decrease) in accrued expenses & compensated absences	8,124	-	8,124
Increase (decrease) in due to other funds	91,563	(7,260)	84,303
Increase (decrease) in deferred grant revenue	(90,919)	-	(90,919)
Total adjustments	910,929	(5,097)	905,832
Net cash provided (used) by operating activities	\$ 1,139,791	\$ (5,750)	\$ 1,134,041

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

TOWN OF CHAPEL HILL, TENNESSEE
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basic Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, provided to the general public, which rely to a significant extent on fees and charges for support.

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

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

1. Economic Resources Measurement Focus and Accrual Basis of Accounting

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

TOWN OF CHAPEL HILL, TENNESSEE
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

2. Modified Accrual

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

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

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

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

The government reports the following major governmental funds:

The *General Fund* is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

TOWN OF CHAPEL HILL, TENNESSEE
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

2. Modified Accrual – (Continued)

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

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

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

3. Revenues and Expenditures/Expenses

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The Town's proprietary funds are composed of the Water and Sewer Fund and the Sanitation Fund. The proprietary funds' principal operating revenues are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and overheads, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

4. Property Taxes

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

TOWN OF CHAPEL HILL, TENNESSEE

Notes to Financial Statements

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Assets, Liabilities and Fund Equity

1. Cash and Cash Equivalents

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

2. Interfund Receivables and Payables

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

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

3. Receivables

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

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

4. Inventories

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

5. Capital Assets

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

TOWN OF CHAPEL HILL, TENNESSEE
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Assets, Liabilities and Fund Equity-(Continued)

5. Capital Assets – (Continued)

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

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

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

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

6. Recent Accounting Pronouncements

GASB Statement No. 87, Leases (GASBS No. 87), became effective during the fiscal year ending June 30, 2022. This standard enhances the relevance and consistency of information related to leasing activities. The Town does not have agreements that qualify as leases under this standard.

7. Compensated Absences

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

8. Long-Term Liabilities

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. The debt is recorded net of the applicable bond premium or discount. Debt issuance costs are charged to expense in the period incurred.

9. Fund Equity

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

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

TOWN OF CHAPEL HILL, TENNESSEE
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Assets, Liabilities and Fund Equity-(Continued)

9. Fund Equity – (Continued)

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

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

Committed fund balance—this classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Mayor and Aldermen, the Town's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Board of Mayor and Aldermen rescinds or modifies the specified use by taking the same action that was employed when the funds were initially committed. The Town has no committed funds as of June 30, 2023.

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

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

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

10. Use of Estimates

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

TOWN OF CHAPEL HILL, TENNESSEE
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Assets, Liabilities and Fund Equity-(Continued)

11. Deferred Outflows / Inflows of Resources

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

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

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

12. Net Position

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

TOWN OF CHAPEL HILL, TENNESSEE

Notes to Financial Statements

June 30, 2023

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

A summary of cash deposits with financial institutions as of June 30, 2023 is as follows:

	<u>Carrying Amount</u>	<u>Bank Amount</u>
Cash, unrestricted, all fund types:		
Amount insured:		
FDIC	\$ 4,529,822	\$ 4,428,875
Cash on hand	<u>290</u>	<u>-</u>
	<u>\$ 4,530,112</u>	<u>\$ 4,428,875</u>

Custodial credit risk for the Town's deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. According to Section 9-1-107, Tennessee Code Annotated, cash deposits must be insured or collateralized with securities held by the entity or by its agent in the entity's name. It is the Town's policy to require financial institutions holding its deposits to be members of the Tennessee Collateral Pool or if not a member of the Tennessee Collateral Pool, to pledge collateral for deposits in excess of the Federal Deposit Insurance Corporation (FDIC) coverage. The pledged collateral is required to be held by the Town or its agent in the Town's name. At June 30, 2023, all bank deposits were either fully insured by the FDIC or collateralized by the Tennessee Collateral Pool.

TOWN OF CHAPEL HILL, TENNESSEE

Notes to Financial Statements

June 30, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS-(Continued)

B. Receivables

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

	General	State Street Aid	Drug	Water and Sewer	Sanitation	Total
Receivables:						
Taxes - property	\$ 670,663	\$ -	\$ -	\$ -	\$ -	\$ 670,663
Taxes - other	148,465	-	-	-	-	148,465
Accounts	-	-	-	123,888	12,962	136,850
Intergovernmental	46,654	10,199	-	-	-	56,853
Gross receivables	865,782	10,199	-	123,888	12,962	1,012,831
Less: Allowance for						
Uncollectibles	(12,383)	-	-	(2,478)	(293)	(15,154)
Total Receivables, Net	<u>\$ 853,399</u>	<u>\$ 10,199</u>	<u>\$ -</u>	<u>\$ 121,410</u>	<u>\$ 12,669</u>	<u>\$ 997,677</u>

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

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

	<u>Unavailable</u>
Property taxes	\$ 658,280
Other tax revenue	<u>102,008</u>
Total unavailable revenue	<u>\$ 760,288</u>

The water and sewer fund records tap fees for amounts received from customers for the installation of new taps related to water line distribution extension projects. There were no unearned tap fees as of the year ended June 30, 2023.

TOWN OF CHAPEL HILL, TENNESSEE

Notes to Financial Statements

June 30, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS-(Continued)

C. Capital Assets

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 268,284	\$ -	\$ -	\$ 268,284
Construction in Process	249,839	4,400	-	254,239
Total capital assets, not being depreciated	<u>518,123</u>	<u>4,400</u>	<u>-</u>	<u>522,523</u>
Capital assets, being depreciated:				
Buildings	2,168,823	5,000	-	2,173,823
Infrastructure	378,868	-	-	378,868
Improvements other than buildings	833,717	6,973	-	840,690
Equipment	2,479,078	60,813	(20,759)	2,519,132
Total capital assets, being depreciated	<u>5,860,486</u>	<u>72,786</u>	<u>(20,759)</u>	<u>5,912,513</u>
Less accumulated depreciation for:				
Buildings	(491,834)	(57,283)	-	(549,117)
Infrastructure	(50,352)	(13,226)	-	(63,578)
Improvements other than buildings	(104,730)	(23,659)	-	(128,389)
Equipment	(1,394,639)	(188,589)	20,759	(1,562,469)
Total accumulated depreciation	<u>(2,041,555)</u>	<u>(282,757)</u>	<u>20,759</u>	<u>(2,303,553)</u>
Total capital assets, being depreciated, net	<u>3,818,931</u>	<u>(209,971)</u>	<u>-</u>	<u>3,608,960</u>
Governmental activities capital assets, net	<u>\$4,337,054</u>	<u>\$ (205,571)</u>	<u>\$ -</u>	<u>\$4,131,483</u>

TOWN OF CHAPEL HILL, TENNESSEE
Notes to Financial Statements
June 30, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS-(Continued)

C. Capital Assets-(Continued)

	Balance (restated)	Increases	Decreases	Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 101,707	\$ -	\$ -	\$ 101,707
Construction in Process	321,244	80,000	-	401,244
Total capital assets, not being depreciated	<u>422,951</u>	<u>80,000</u>	<u>-</u>	<u>502,951</u>
Capital assets, being depreciated:				
Buildings	1,603,459	-	-	1,603,459
Infrastructure	7,401,843	38,052	(11,348)	7,428,547
Improvements other than buildings	37,604	-	-	37,604
Equipment	327,005	59,512	-	386,517
Total capital assets, being depreciated	<u>9,369,911</u>	<u>97,564</u>	<u>(11,348)</u>	<u>9,456,127</u>
Less accumulated depreciation for:				
Buildings	(944,376)	(32,297)	-	(976,673)
Infrastructure	(3,298,551)	(173,939)	11,348	(3,461,142)
Improvements other than buildings	(25,864)	(1,761)	-	(27,625)
Equipment	(231,682)	(33,714)	-	(265,396)
Total accumulated depreciation	<u>(4,500,473)</u>	<u>(241,711)</u>	<u>11,348</u>	<u>(4,730,836)</u>
Total capital assets, being depreciated, net	<u>4,869,438</u>	<u>(144,147)</u>	<u>-</u>	<u>4,725,291</u>
Business-type activities capital assets, net	<u>\$ 5,292,389</u>	<u>\$ (64,147)</u>	<u>\$ -</u>	<u>\$ 5,228,242</u>

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

Governmental Activities:	
General government	\$ 29,510
Public safety	191,998
Recreation	23,530
Highways and streets	<u>37,719</u>
Total depreciation expense-governmental activities	<u>\$ 282,757</u>
Business-type Activities:	
Water and Sewer	\$ 236,236
Sanitation	<u>5,475</u>
Total depreciation expense-business-type activities	<u>\$ 241,711</u>

TOWN OF CHAPEL HILL, TENNESSEE

Notes to Financial Statements

June 30, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS-(Continued)

D. Interfund Receivables, Payables, and Transfers

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be liquidated within one year.

E. Fund Equities

Fund balance for governmental funds was comprised of the following at June 30, 2023:

	General	State Street Aid	Drug	Total Governmental Funds
Nonspendable:				
Prepaid expenses	\$ 67,114	\$ -	\$ -	\$ 67,114
Restricted:				
Highways & Streets	-	111,034	-	111,034
Public Safety	-	-	6,565	6,565
	-	111,034	6,565	117,599
Assigned				
Industrial development	215,486	-	-	215,486
Unassigned	799,148	-	-	799,148
Total Fund Balance	\$1,081,748	\$111,034	\$6,565	\$ 1,199,347

NOTE 4 – LONG-TERM DEBT

Historically, the Town has issued capital outlay notes for both governmental and business-type activities to provide funds for the acquisition and construction of major capital facilities. The schedule of long-term debt and capital outlay notes activity for the year ended June 30, 2023 is presented on the following page:

TOWN OF CHAPEL HILL, TENNESSEE

Notes to Financial Statements

June 30, 2023

NOTE 4 – LONG-TERM DEBT-(Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
<u>Notes and bonds from direct borrowings and direct placements</u>					
Series 2015, \$500,000 General Obligation Capital Outlay Note, due in remaining installments of \$42,000 to \$49,000 through final maturity December 2027, at an interest rate of 2.98%.	\$ 272,000	\$ -	\$ (42,000)	\$ 230,000	\$ 43,000
Series 2017, \$1,000,000 Local Government Loan Program Bond, due in installments of \$42,000 to \$53,000 through final maturity December 2031, at an interest rate of 2.82%.	430,900	-	(42,000)	388,900	44,000
Series 2019, \$1,600,000 Local Government Loan Program Bond, due in installments of \$63,000 to \$96,000 through final maturity October 2039, at an interest rate of 3.13%.	1,225,523	-	(63,000)	1,162,523	64,000
	<u>\$1,928,423</u>	<u>\$ -</u>	<u>\$ (147,000)</u>	\$1,781,423	<u>\$ 151,000</u>
Less current maturities of long-term debt				(151,000)	
Total noncurrent liabilities				<u>\$1,630,423</u>	
Business-type Activities:					
<u>Notes and bonds from direct borrowings and direct placements</u>					
Financed Purchase Obligation, due in annual installments \$18,924 through final maturity January 2026, at an interest rate of 3.433%.	\$ 69,621	\$ -	\$ (16,534)	\$ 53,087	\$ 17,102
Financed Purchase Obligation, due in monthly installments of \$954 through final maturity September 2023, at an interest rate of 5.05%.	13,868	-	(11,005)	2,863	2,863
Revolving Fund Loan \$709,875 due in monthly installments of \$2,789 through final maturity August 2040, at an interest rate of 1.04%.	553,871	-	(27,851)	526,020	28,128
Series 2020, \$1,600,000, General Obligation Bond, Local Government Loan Program Bond, due in installments of \$64,000 to \$66,000 through final maturity in March 2025, at an interest rate of 2.77%.	165,895	616,034	(64,000)	717,929	66,000
	<u>\$ 803,255</u>	<u>\$616,034</u>	<u>\$ (119,390)</u>	1,299,899	<u>\$ 114,093</u>
				(114,093)	
				<u>\$1,185,806</u>	

Annual debt service requirements to maturity for capital outlay notes and financed purchase obligations are presented on the following page:

TOWN OF CHAPEL HILL, TENNESSEE
Notes to Financial Statements
June 30, 2023

NOTE 4 – LONG-TERM DEBT-(Continued)

<u>Governmental Activities</u>		
<u>Notes and Bonds from Direct</u>		
<u>Year Ending</u>	<u>Borrowings and Direct Placements</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 151,000	\$ 51,948
2025	156,000	47,349
2026	161,000	42,596
2027	165,000	37,709
2028	171,000	32,672
2029-2033	557,900	104,703
2034-2038	419,523	30,794
	<u>\$ 1,781,423</u>	<u>\$ 347,771</u>

<u>Business-type Activities</u>		
<u>Notes and Bonds from Direct</u>		
<u>Year Ending</u>	<u>Borrowings and Direct Placements</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 114,093	\$ 26,718
2025	114,117	24,917
2026	117,012	23,080
2027	101,016	21,183
2028	103,328	19,874
2029-2033	519,201	74,779
2034-2038	159,348	7,992
2039-2041	71,784	845
	<u>\$ 1,299,899</u>	<u>\$ 199,388</u>

The total amount of interest charged to expense was \$56,416, and \$13,426, respectively for the year ended June 30, 2023 for the governmental activities and business-type activities.

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

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

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

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

TOWN OF CHAPEL HILL, TENNESSEE
Notes to Financial Statements
June 30, 2023

NOTE 4 – LONG-TERM DEBT-(Continued)

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

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

In the 2020 year, the Town also established a \$1,600,000 loan agreement through Local Government Loan Program Bond, Series 2020, with First Tennessee Bank National Association for the purpose of water plant upgrades, Crutcher Road sewer line, and a 12-inch water line upgrade. The town made draws of \$616,034 for utility projects in the current fiscal year.

The Town made draws for a sewer project under the State Revolving Fund Loan in the current fiscal year totaling \$0 and based on the loan agreement received forgiveness of \$0. Principal payments were made in the current fiscal year totaling \$27,851, bringing total unpaid principal balance at June 30, 2022 to \$526,019, as noted in the schedule of long-term debt.

NOTE 5 – RISK MANAGEMENT

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

NOTE 6 – RETIREMENT PLAN

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

TOWN OF CHAPEL HILL, TENNESSEE
Notes to Financial Statements
June 30, 2023

NOTE 6 – RETIREMENT PLAN-(Continued)

Employer and employee contributions under this plan for the governmental fund employees totaled \$15,704 for the year ended June 30, 2023. The pension administrative expense is paid by the employees under the plan.

Contributions payable to the plan at June 30, 2023 were \$0 and \$0 for the governmental funds and enterprise funds, respectively.

NOTE 7 – PENSION PLAN

Plan Description

The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-3 7. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

The Town entered the TCRS plan in the current fiscal year. An amount of \$24,404 was paid into the plan this year as employer contributions. An actuarial report for the Town's pension plan with TCRS is not yet available.

NOTE 8 - CONTINGENCIES

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

NOTE 9 – PRIOR PERIOD ADJUSTMENT

General fund- The Town made a prior period adjustment in the amount of (\$8,460). This adjustment was made to remove a current year expense that should have been accrued in the prior year as well as an adjustment for compensated absences being included at the fund level in previous years.

Sanitation fund- The Town made a prior period adjustment in the amount of (\$23,957). This adjustment was related to the removal of fixed assets included in prior years.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events were evaluated through January 29, 2024, when the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF CHAPEL HILL, TENNESSEE
SCHEDULE OF INTERGOVERNMENTAL REVENUES BY SOURCE
Year Ended June 30, 2023

	General	State Street Aid	Drug	Total Governmental Funds
Grants	\$ 325,030	\$ -	\$ -	\$ 325,030
State sales tax	203,774	-	-	203,774
State gas and motor fuel	-	35,493	-	35,493
State gas and motor fuel (2017)	-	15,462	-	15,462
State gas and motor fuel (Gas 3 cent)	-	8,882	-	8,882
State city streets (Petroleum Special)	3,146	-	-	3,146
Corporate excise tax	41,777	-	-	41,777
Telecommunications	43,106	-	-	43,106
State sports betting	2,800	-	-	2,800
TVA payments in lieu of tax	20,644	-	-	20,644
Total Fund Balance	<u>\$ 640,277</u>	<u>\$ 59,837</u>	<u>\$ -</u>	<u>\$ 700,114</u>

TOWN OF CHAPEL HILL, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
Year Ended June 30, 2023

	<u>Total</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 651,888	\$ -	\$ 631,739	\$6,579	\$5,204	\$1,701	\$ 349	\$ 303	\$2,560	\$1,221	\$ 2,232
Taxes levied	\$ 641,330	641,330	-	-	-	-	-	-	-	-	-
Collections	<u>\$ (622,555)</u>	<u>-</u>	<u>(617,480)</u>	<u>(3,473)</u>	<u>(1,602)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 670,663</u>	<u>\$ 641,330</u>	<u>\$ 14,259</u>	<u>\$3,106</u>	<u>\$3,602</u>	<u>\$1,701</u>	<u>\$ 349</u>	<u>\$ 303</u>	<u>\$2,560</u>	<u>\$1,221</u>	<u>\$2,232</u>
Less allowance for uncollectible accounts	<u>(12,383)</u>										
Balance, end of year, net of allowance	<u>\$ 658,280</u>										

During the year ended June 30, 2023, no delinquent property taxes receivable were turned over to the Marshall County Chancellery Court. The Town anticipates turning over 2021 & 2022 delinquent taxes in the 2024 year.

TOWN OF CHAPEL HILL, TENNESSEE
SCHEDULE OF TAX RATES AND ASSESSMENTS
LAST TEN YEARS
June 30, 2023

<u>Year</u>	<u>Assessment</u>	<u>Tax Rate</u>
2023	79,105,747	0.91
2022	65,135,743	0.91
2021	38,324,281	1.50
2020	36,405,944	1.50
2019	33,969,083	1.50
2018	38,666,952	1.50
2017	37,410,992	1.50
2016	37,578,168	1.75
2015	34,233,269	1.75
2014	34,150,566	1.75

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

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

Fiscal Year	Water				Sewer				Sanitation	
	Monthly	Per 1,000	Per 1,000	Number	Monthly	Per 1,000	Per 1,000	Number	Rate	Number
	Base Rate Inside/Outside	Gallons over 2,000 Inside Town	Gallons over 2,000 Outside Town	of Customers	Base Rate Inside/Outside	Gallons over 2,000 Inside Town	Gallons over 2,000 Outside Town	of Customers	per Month	of Customers
2019	\$22.00/\$28.60	\$ 6.40	\$ 8.32	756	\$27.50/\$35.75	\$ 8.00	\$ 10.40	612	\$ 10.50	700
2020	25.30/32.89	7.36	9.57	778	28.33/36.82	8.24	10.71	636	10.50	721
2021	25.30/32.89	7.36	9.57	840	28.33/36.82	8.24	10.71	693	10.50	776
2022	25.30/32.89	7.36	9.57	968	28.33/36.82	8.24	10.71	751	10.50	835
2023	25.30/32.89	7.36	9.57	1125	28.33/36.82	8.24	10.71	963	12.25	981

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

June 30, 2023

Year Ending June 30,	Governmental Activities							
	Series 2015, General Obligation Capital Outlay Note		Series 2017, Local Government Loan Program Bond		Series 2019, Local Government Loan Program Bond		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	43,000	6,213	44,000	10,350	64,000	35,385	151,000	51,948
2025	45,000	4,902	45,000	9,096	66,000	33,351	156,000	47,349
2026	46,000	3,546	46,000	7,812	69,000	31,238	161,000	42,596
2027	47,000	2,161	47,000	6,501	71,000	29,047	165,000	37,709
2028	49,000	730	49,000	5,148	73,000	26,794	171,000	32,672
2029	-	-	50,000	3,752	75,000	24,477	125,000	28,229
2030	-	-	51,000	2,328	78,000	22,083	129,000	24,411
2031	-	-	53,000	861	80,000	19,610	133,000	20,471
2032	-	-	3,900	56	82,000	17,075	85,900	17,131
2033	-	-	-	-	85,000	14,461	85,000	14,461
2034	-	-	-	-	88,000	11,754	88,000	11,754
2035	-	-	-	-	90,000	8,968	90,000	8,968
2036	-	-	-	-	93,000	6,104	93,000	6,104
2037	-	-	-	-	96,000	3,146	96,000	3,146
2038	-	-	-	-	52,523	822	52,523	822
Total	<u>\$ 230,000</u>	<u>\$ 17,552</u>	<u>\$ 388,900</u>	<u>\$ 45,904</u>	<u>\$ 1,162,523</u>	<u>\$ 284,315</u>	<u>\$ 1,781,423</u>	<u>\$ 347,771</u>

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

June 30, 2023

Year Ending June 30,	Business-Type Activities									
	Financed Purchased Obligation		Financed Purchased Obligation		Series 2020, Local Government Loan Program		State Revolving Fund Loan CW6 2018-399		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	17,102	1,822	2,863	-	66,000	19,556	28,128	5,340	114,093	26,718
2025	17,689	1,235	-	-	68,000	18,642	28,428	5,040	114,117	24,917
2026	18,296	628	-	-	70,000	17,700	28,716	4,752	117,012	23,080
2027	-	-	-	-	72,000	16,731	29,016	4,452	101,016	21,183
2028	-	-	-	-	74,000	15,734	29,328	4,140	103,328	19,874
2029	-	-	-	-	76,000	14,709	29,628	3,840	105,628	18,549
2030	-	-	-	-	78,000	13,656	29,940	3,528	107,940	17,184
2031	-	-	-	-	80,000	12,576	30,252	3,216	110,252	15,792
2032	-	-	-	-	82,000	11,468	30,564	2,904	112,564	14,372
2033	-	-	-	-	51,929	6,303	30,888	2,580	82,817	8,883
2034	-	-	-	-	-	-	31,212	2,256	31,212	2,256
2035	-	-	-	-	-	-	31,536	1,932	31,536	1,932
2036	-	-	-	-	-	-	31,872	1,596	31,872	1,596
2037	-	-	-	-	-	-	32,196	1,272	32,196	1,272
2038	-	-	-	-	-	-	32,532	936	32,532	936
2039	-	-	-	-	-	-	32,880	588	32,880	588
2040	-	-	-	-	-	-	33,216	252	33,216	252
2041	-	-	-	-	-	-	5,688	5	5,688	5
Total	<u>\$ 53,087</u>	<u>\$ 3,685</u>	<u>\$ 2,863</u>	<u>\$ -</u>	<u>\$ 717,929</u>	<u>\$ 147,074</u>	<u>\$ 526,020</u>	<u>\$ 48,629</u>	<u>\$ 1,299,899</u>	<u>\$ 199,388</u>

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

June 30, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2022	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2023
<u>Governmental Activities</u>									
<u>BONDS PAYABLE</u>									
General Obligation Capital Outlay Note, Series 2015	\$ 500,000	2.98%	12/21/2015	12/1/2027	\$ 272,000	\$ -	\$ 42,000	\$ -	\$ 230,000
Local Government Loan Program Bond, Series 2017	1,000,000	2.82%	12/28/2017	12/1/2031	430,900	-	42,000	-	388,900
Local Government Loan Program Bond, Series 2019	1,600,000	3.13%	11/22/2019	(1)	1,225,523	-	63,000	-	1,162,523
Total Bonds Payable through Governmental Activities					<u>\$1,928,423</u>	<u>\$ -</u>	<u>\$ 147,000</u>	<u>\$ -</u>	<u>\$1,781,423</u>
<u>Business-Type Activities</u>									
<u>BONDS PAYABLE</u>									
Local Government Loan Program Bond, Series 2020	1,600,000	2.77%	3/26/2020	(2)	\$ 165,895	\$ 616,034	\$ 64,000	\$ -	\$ 717,929
Total Bonds Payable through Business-Type Activities					<u>\$ 165,895</u>	<u>\$ 616,034</u>	<u>\$ 64,000</u>	<u>\$ -</u>	<u>\$ 717,929</u>
<u>FINANCED PURCHASE OBLIGATIONS</u>									
Financed Purchase Obligation	\$ 158,722	3.43%	3/16/2016	1/15/2026	\$ 69,621	\$ -	\$ 16,534	\$ -	\$ 53,087
Financed Purchase Obligation	50,510	5.05%	9/19/2018	9/18/2023	13,868	-	11,005	-	2,863
Total Financed Purchase Obligations through Business-Type Activities					<u>\$ 83,489</u>	<u>\$ -</u>	<u>\$ 27,539</u>	<u>\$ -</u>	<u>\$ 55,950</u>
<u>OTHER LOAN PAYABLE</u>									
State Revolving Fund Loan (CW6)	\$ 709,875	1.04%	3/18/2018	8/18/2040	\$ 553,871	\$ -	\$ 27,851	\$ -	\$ 526,020
Total Other Loan Payable through Business-Type Activities					<u>\$ 553,871</u>	<u>\$ -</u>	<u>\$ 27,851</u>	<u>\$ -</u>	<u>\$ 526,020</u>

(1) Total amount approved was \$1,600,000, of which \$254,477 remains available to draw as of June 30, 2023

(2) Total amount approved was \$1,600,000, of which \$694,070 remains available to draw as of June 30, 2023

TOWN OF CHAPEL HILL, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2023

Federal/State Grantor Pass-through Grantor Program Title	Assistance Listing Number	Grant/Project Number	Grant Expenditures
<u>Federal Programs</u>			
U.S. Department of Transportation/State of TN Highway Safety High Visibility Enforcement of TN Traffic Safety	20.607	Z20THS036	\$ 219
U.S. Department of Finance and Administration ARPA NEU Distribution	93.498		319,092
Total Federal Programs			319,311
<u>State Programs</u>			
TN Department of Finance & Administration - Police Salary Supplement			5,600
Total Federal and State Programs			\$ 324,911

Notes to Schedule:

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the Town of Chapel Hill, Tennessee under programs of federal government for the year ended June 30, 2023. Because the schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes on net assets, or cash flows of the Town.

Note B - Summary of Significant Accounting Policies

- 1.) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 2) The Town has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C - Balance of Loan & Loan Guarantees

The Town had loans of 526,019 in association with Tennessee Department of Environment and Conservation State Revolving Fund Loan Program.

INTERNAL CONTROL AND COMPLIANCE SECTION

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 Board of Alderman
Town of Chapel Hill, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of The Town of Chapel Hill, Tennessee (the Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise The Town of Chapel Hill, Tennessee's basic financial statements, and have issued our report thereon dated January 29, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Town of Chapel Hill, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Matlock Clements, P.C.".

Matlock Clements, P.C.
Murfreesboro, Tennessee
January 29, 2024

TOWN OF CHAPEL HILL, TENNESSEE
Schedule of Findings and Responses
For the Year Ended June 30, 2023

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

II. Financial Statement Findings – Required to be reported in Accordance With Government Auditing Standards.

No matters were reported.

TOWN OF CHAPEL HILL, TENNESSEE
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2023

**I. Prior Year Financial Statement Findings – Required to be reported in
Accordance with Government Auditing Standards.**

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2022-001	Internal controls and compliance (Original finding # 2016-002)	Corrected
2022-002	Timely retirement contributions (Original finding # 2021-008)	Corrected