



**TOWN OF CHAPEL HILL, TENNESSEE**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2025**

**Matlock Clements**

**Certified Public Accountants**

## **INTRODUCTORY SECTION**

# TOWN OF CHAPEL HILL, TENNESSEE

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**TOWN OF CHAPEL HILL, TENNESSEE  
ROSTER OF PUBLICLY ELECTED AND MANAGEMENT OFFICIALS  
JUNE 30, 2025**

TOWN ADMINISTRATOR	Danny Bingham, CMFO
RECORDER/TREASURER	Phillip Dye, CMFO*
MAYOR	Mike Faulkenberry
ALDERMEN	Hawken King 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, 2025, 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, 2025, 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, including the schedule of federal awards and state financial assistance, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2026, 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.



Matlock Clements, P.C.  
Murfreesboro, Tennessee  
January 20, 2026



# 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

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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, 2025.

## Financial Highlights

- The assets of Town of Chapel Hill exceeded its liabilities at the close of the most recent fiscal year by \$11,639,704. Of this amount \$2,483,421 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 \$603,889.
- At the close of the current fiscal year, the Town of Chapel Hill's governmental funds combined ending fund balances reported was \$1,292,159, an increase of \$34,792 in comparison of the previous year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$913,776.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### Government-Wide Financial Statements

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

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

The *Statement of Activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are

# TOWN OF CHAPEL HILL

## Management's Discussion and Analysis (Continued)

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 20-22 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 \$11,639,704 at the close of the most recent fiscal year.

The largest portion of the Town's net position (76%) 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	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 2,266,524	\$ 2,249,879	\$ 2,753,026	\$ 2,861,340	\$ 5,019,550	\$ 5,111,219
Non-depreciable assets	522,523	522,523	10,597,621	1,055,089	11,120,144	1,577,612
Depreciable assets	3,486,032	3,475,897	4,599,482	4,665,569	8,085,514	8,141,466
<b>Total assets</b>	<b>6,275,079</b>	<b>6,248,299</b>	<b>17,950,129</b>	<b>8,581,998</b>	<b>24,225,208</b>	<b>14,830,297</b>
<b>Total deferred outflow of resources</b>	<b>57,694</b>	<b>30,458</b>	<b>37,706</b>	<b>22,419</b>	<b>95,400</b>	<b>52,877</b>
Long-term liabilities	1,604,598	1,507,401	8,303,846	205,008	9,908,444	1,712,409
Other	245,069	259,302	1,702,839	1,090,654	1,947,908	1,349,956
<b>Total liabilities</b>	<b>1,849,667</b>	<b>1,766,703</b>	<b>10,006,685</b>	<b>1,295,662</b>	<b>11,856,352</b>	<b>3,062,365</b>
Deferred inflows	800,839	784,994	845	-	801,684	784,994
<b>Total deferred inflow of resources</b>	<b>800,839</b>	<b>784,994</b>	<b>845</b>	<b>-</b>	<b>801,684</b>	<b>784,994</b>
<b>Net Position:</b>						
Net investment in capital assets	2,279,655	2,367,997	6,582,996	4,534,888	8,862,651	6,902,885
Restricted	119,252	132,007	174,380	119,461	293,632	251,468
Unrestricted	1,283,360	1,227,056	1,200,061	2,654,406	2,483,421	3,881,462
<b>Total net position</b>	<b>\$ 3,682,267</b>	<b>\$ 3,727,060</b>	<b>\$ 7,957,437</b>	<b>\$ 7,308,755</b>	<b>\$ 11,639,704</b>	<b>\$ 11,035,815</b>

An additional portion of the Town's net position (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position representing unrestricted net position (21%) 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 \$603,889. There was a decrease of \$44,793 in net position in the governmental activities. There was an increase of \$648,682 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	
	2025	2024	2025	2024	2025	2024
<b>Program revenues:</b>						
Charges for services	\$ 89,206	\$ 59,738	\$ 2,547,047	\$ 1,892,652	\$ 2,636,253	\$ 1,952,390
Operating grants & contributions	90,435	129,885	-	151,275	90,435	281,160
Capital grants & contributions	-	87,970	841,330	-	841,330	87,970
<b>General revenues:</b>						
Property taxes	796,196	765,182	-	-	796,196	765,182
Other taxes	1,107,785	1,112,973	-	-	1,107,785	1,112,973
Other	82,950	109,550	6,606	10,034	89,556	119,584
<b>Total revenues</b>	<b>2,166,572</b>	<b>2,265,298</b>	<b>3,394,983</b>	<b>2,053,961</b>	<b>5,561,555</b>	<b>4,319,259</b>
<b>Expenses:</b>						
General government	580,512	665,243	-	-	580,512	665,243
Public safety	1,404,471	1,317,266	-	-	1,404,471	1,317,266
Recreation	75,517	82,196	-	-	75,517	82,196
Highways and street:	80,569	109,102	-	-	80,569	109,102
Library	8,289	-	-	-	8,289	-
Debt service	62,007	-	-	-	62,007	-
Water and sewer	-	-	2,541,028	1,851,751	2,541,028	1,851,751
Sanitation	-	-	205,273	151,060	205,273	151,060
<b>Total Expenses</b>	<b>2,211,365</b>	<b>2,173,807</b>	<b>2,746,301</b>	<b>2,002,811</b>	<b>4,957,666</b>	<b>4,176,618</b>
<b>Change in net position</b>	<b>(44,793)</b>	<b>91,491</b>	<b>648,682</b>	<b>51,150</b>	<b>603,889</b>	<b>142,641</b>
<b>Net position, beginning</b>	<b>3,727,060</b>	<b>3,635,569</b>	<b>7,308,755</b>	<b>7,257,605</b>	<b>11,035,815</b>	<b>10,893,174</b>
<b>Net position, ending</b>	<b>\$ 3,682,267</b>	<b>\$ 3,727,060</b>	<b>\$ 7,957,437</b>	<b>\$ 7,308,755</b>	<b>#####</b>	<b>#####</b>

### 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.

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

As of the end of the current fiscal year, the Town's governmental funds reported an ending fund balance of \$1,292,159 an increase of \$34,792 in comparison with the prior year.

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 \$913,776, which is 71% 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 25% of total general fund expenditures.

The fund balance of the Town's general fund increased by \$47,547 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 \$1,200,061. The combined net position for both funds increased by \$648,682. 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, 2025, amounts to \$27,179,757 (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	
	2025	2024	2025	2024	2025	2024
Land and construction in progress	\$ 522,523	\$ 522,523	\$ 10,597,621	\$ 1,055,090	\$ 11,120,144	\$ 1,577,613
Buildings	2,173,823	2,173,823	1,603,459	1,603,459	3,777,282	3,777,282
Improvements other than buildings	840,690	840,690	37,604	37,604	878,294	878,294
Machinery and equipment	2,832,403	2,664,690	764,219	575,607	3,596,622	3,240,297
Infrastructure	378,868	378,868	7,428,547	7,428,547	7,807,415	7,807,415
Accumulated depreciation	(2,739,752)	(2,582,174)	(5,234,347)	(4,979,649)	(7,974,099)	(7,561,823)
Total Capital Assets, net	\$ 4,008,555	\$ 3,998,420	\$ 15,197,103	\$ 5,720,658	\$ 27,179,757	\$ 17,280,901

# 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 \$10,343,007. The entire amount is comprised of debt backed by the full faith and credit of the General Government. Additionally, \$8,614,107 of this debt is backed by the revenues of the Water and Sewer System.

#### OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Bonds	\$1,586,900	\$1,443,153	\$8,595,811	\$1,149,784	\$10,182,711	\$ 2,592,937
Capital outlay notes	142,000	187,000	-	-	142,000	187,000
Lease	-	-	18,296	35,985	18,296	35,985
	<u>\$1,728,900</u>	<u>\$1,630,153</u>	<u>\$8,614,107</u>	<u>\$1,185,769</u>	<u>\$ 10,343,007</u>	<u>\$ 2,815,922</u>

Information on the Town's long-term debt can be found in Note 4 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 2024-2025 fiscal year:

- Total revenues exceeded budgeted expectations by \$44,683, largely due to property taxes.
- Total expenditures exceeded budget expectations by \$1,131,933, largely due to refunding a loan to secure a better interest rate.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following factors will be considered in preparing the Town's budget for the 2025-2026 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
- Long-term debt proceeds will be used to accomplish the above goals

### 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, 2025**

**Primary Government**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets			
Cash	\$ 1,107,881	\$ 2,468,919	\$ 3,576,800
Restricted assets, cash	113,911	-	113,911
Receivables, net	1,004,756	156,210	1,160,966
Inventories	-	64,781	64,781
Prepaid expenses	43,897	36,327	80,224
Internal Balances	(3,921)	26,789	22,868
Total Current Assets	<u>2,266,524</u>	<u>2,753,026</u>	<u>5,019,550</u>
Non-current Assets			
Capital assets			
Land	268,284	101,707	369,991
CIP	254,239	10,495,914	10,750,153
Other capital assets - net of accumulated depreciation	3,486,032	4,599,482	8,085,514
Total capital assets	<u>4,008,555</u>	<u>15,197,103</u>	<u>19,205,658</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,275,079</u>	<u>\$ 17,950,129</u>	<u>\$ 24,225,208</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pensions	\$ 57,694	\$ 37,706	\$ 95,400
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 57,694</u>	<u>\$ 37,706</u>	<u>\$ 95,400</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued expenses	\$ 72,173	\$ 1,363,197	\$ 1,435,370
Compensated absences - short term	9,496	5,963	15,459
LT Debt - due within one year	161,000	333,679	494,679
Refundable deposits	2,400	-	2,400
Total current liabilities	<u>245,069</u>	<u>1,702,839</u>	<u>1,947,908</u>
Non-current Liabilities			
Compensated absences - long term	22,156	13,914	36,070
Net Pension Liability	14,542	9,504	24,046
LT Debt - due in more than one year	1,567,900	8,280,428	9,848,328
Total non-current liabilities	<u>1,604,598</u>	<u>8,303,846</u>	<u>9,908,444</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 1,849,667</u>	<u>\$ 10,006,685</u>	<u>\$ 11,856,352</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property taxes	\$ 799,546	\$ -	\$ 799,546
Deferred revenue - pensions	1,293	845	2,138
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 800,839</u>	<u>\$ 845</u>	<u>\$ 801,684</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 2,279,655	\$ 6,582,996	\$ 8,862,651
Restricted for:			
Public safety	3,902	-	3,902
Highways and streets	115,350	-	115,350
Sanitation	-	174,380	174,380
Unrestricted	1,283,360	1,200,061	2,483,421
<b>TOTAL NET POSITION</b>	<u>\$ 3,682,267</u>	<u>\$ 7,957,437</u>	<u>\$ 11,639,704</u>

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



**TOWN OF CHAPEL HILL, TENNESSEE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2025**

	General Fund	State Street Aid Fund	Drug Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 1,107,881	\$ 110,009	\$ 3,902	\$ 1,221,792
Receivables	945,616	-	-	945,616
Due from other governments	48,797	10,343	-	59,140
Prepaid expense	43,897	-	-	43,897
<b>Total Assets</b>	<b>\$ 2,146,191</b>	<b>\$ 120,352</b>	<b>\$ 3,902</b>	<b>\$ 2,270,445</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 33,994	\$ -	\$ -	\$ 33,994
Due to other funds	3,921	-	-	3,921
Other accrued expenses	38,179	-	-	38,179
Refundable Deposits	2,400	-	-	2,400
<b>Total Liabilities</b>	<b>\$ 78,494</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 78,494</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	\$ 812,951	\$ -	\$ -	\$ 812,951
Deferred revenue - other	81,839	5,002	-	86,841
<b>Total Deferred Inflows of Resources</b>	<b>\$ 894,790</b>	<b>\$ 5,002</b>	<b>\$ -</b>	<b>\$ 899,792</b>
<b>FUND BALANCES</b>				
Nonspendable	\$ 43,897	\$ -	\$ -	\$ 43,897
Restricted	-	115,350	3,902	119,252
Assigned:				
Industrial development	215,234	-	-	215,234
Unassigned	913,776	-	-	913,776
<b>Total Fund Balances</b>	<b>\$ 1,172,907</b>	<b>\$ 115,350</b>	<b>\$ 3,902</b>	<b>\$ 1,292,159</b>

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, 2025**

Total fund balances per governmental funds balance sheet	\$ 1,292,159
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	4,008,555
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	100,246
Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	41,859
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	<u>(1,760,552)</u>
Net position of governmental activities	<u><u>\$ 3,682,267</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, 2025**

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes:				
Property	\$ 800,237	\$ -	\$ -	\$ 800,237
Wholesale beer & liquor	201,647	-	-	201,647
Sales	578,316	-	-	578,316
Fines	32,918	-	4,825	37,743
Licenses and permits	44,463	-	-	44,463
Franchise Fees	5,815	-	-	5,815
Intergovernmental	357,952	60,305	-	418,257
Recreation	7,000	-	-	7,000
Investment earnings	16,164	-	-	16,164
Other revenue	59,971	-	-	59,971
<b>Total Revenues</b>	<u>2,104,483</u>	<u>60,305</u>	<u>4,825</u>	<u>2,169,613</u>
<b>EXPENDITURES</b>				
Current Expenditures				
General government	551,621	-	-	551,621
Public safety	1,121,075	-	1,065	1,122,140
Highways and streets	38,313	16,356	-	54,669
Recreation	53,638	-	-	53,638
Library	8,289	-	-	8,289
Debt service				
Principal	1,423,200	19,800	-	1,443,000
Interest	52,072	10,005	-	62,077
Capital Outlay	351,205	30,659	-	381,864
<b>Total Expenditures</b>	<u>3,599,413</u>	<u>76,820</u>	<u>1,065</u>	<u>3,677,298</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(1,494,930)	(16,515)	3,760	(1,507,685)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Proceeds	1,287,000	-	-	1,287,000
Loan Proceeds	254,477	-	-	254,477
Sale of surplus equipment	1,000	-	-	1,000
<b>Total Other Financing Sources (Uses)</b>	<u>1,542,477</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
<b>Excess (deficiency) of revenues and other sources (uses) over (under) expenditures</b>	47,547	(16,515)	3,760	34,792
<b>Fund Balances - beginning</b>	<u>1,125,360</u>	<u>131,865</u>	<u>142</u>	<u>1,257,367</u>
<b>Fund Balances - end</b>	<u>\$ 1,172,907</u>	<u>\$ 115,350</u>	<u>\$ 3,902</u>	<u>\$ 1,292,159</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, 2025**

Net change in fund balances for total governmental funds	\$ 34,792
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.	10,135
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(3,970)
Net change in pension assets/liabilities and expenditures that are deferred or capitalized for the statement of activities.	11,835
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.	892
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>(98,477)</u>
Change in net position of governmental activities	<u><u>\$ (44,793)</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, 2025**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property	\$ 755,000	\$ 755,000	\$ 800,237	\$ 45,237
Wholesale beer & liquor	234,500	234,500	201,647	(32,853)
Sales	540,000	540,000	578,316	38,316
Fines	31,100	31,100	32,918	1,818
Licenses and permits	8,000	8,000	44,463	36,463
Franchise Fees	6,500	6,500	5,815	(685)
Intergovernmental:				
Grants	45,000	45,000	36,205	(8,795)
State sales tax	210,000	210,000	216,119	6,119
State city streets (Petroleum Special)	3,000	3,000	3,136	136
Corporate excise tax	40,000	40,000	35,323	(4,677)
Telecommunications	43,000	43,000	42,559	(441)
State sports betting	2,500	2,500	3,751	1,251
TVA payments in lieu of tax	45,000	45,000	20,859	(24,141)
Recreation	12,000	12,000	7,000	(5,000)
Investment earnings	6,000	6,000	16,164	10,164
Other revenue	78,200	78,200	59,971	(18,229)
<b>Total Revenues</b>	<b>2,059,800</b>	<b>2,059,800</b>	<b>2,104,483</b>	<b>44,683</b>
<b>EXPENDITURES</b>				
<b>General government</b>				
Wages and Benefits	203,764	203,764	225,531	(21,767)
Insurance	61,154	61,154	73,629	(12,475)
Contracted Services	40,000	40,000	47,325	(7,325)
Professional Fees	112,000	112,000	89,468	22,532
Utilities	17,500	17,500	16,590	910
Office expense	6,600	6,600	5,453	1,147
Supplies	9,600	9,600	5,494	4,106
Repairs and maintenance	5,000	5,000	4,602	398
Subscription and dues	12,150	12,150	13,146	(996)
Public relations	15,000	15,000	27,821	(12,821)
Contributions and grant expenditures	24,100	24,100	26,905	(2,805)
Capital outlay	260,000	260,000	-	260,000
Debt Service	69,546	69,546	1,370,171	(1,300,625)
Other expenditures	12,000	12,000	15,657	(3,657)
<b>Total General government</b>	<b>848,414</b>	<b>848,414</b>	<b>1,921,792</b>	<b>(1,073,378)</b>

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, 2025**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
<b>Public safety:</b>				
Wages and Benefits	624,361	624,361	642,479	(18,118)
Insurance	245,952	245,952	256,262	(10,310)
Utilities	24,592	24,592	28,497	(3,905)
Office expense	11,400	11,400	10,020	1,380
Supplies	64,900	64,900	56,118	8,782
Repairs and maintenance	42,000	42,000	35,724	6,276
Subscription and dues	6,000	6,000	7,420	(1,420)
Public relations	5,000	5,000	3,419	1,581
Professional Fees	7,500	7,500	6,878	622
Capital outlay	320,000	320,000	351,205	(31,205)
Debt Service	54,096	54,096	56,207	(2,111)
Other expenditures	79,400	79,400	74,258	5,142
<b>Total public safety</b>	<b>1,485,201</b>	<b>1,485,201</b>	<b>1,528,487</b>	<b>(43,286)</b>
<b>Highways and streets:</b>				
Insurance	710	710	847	(137)
Contracted Services	-	-	27,000	(27,000)
Utilities	5,500	5,500	6,019	(519)
Supplies	1,500	1,500	296	1,204
Repairs and maintenance	1,000	1,000	4,151	(3,151)
Debt Service	24,951	24,951	24,447	504
<b>Total highways and streets</b>	<b>33,661</b>	<b>33,661</b>	<b>62,760</b>	<b>(29,099)</b>
<b>Recreation:</b>				
Wages and Benefits	33,028	33,028	33,092	(64)
Insurance	2,225	2,225	2,210	15
Utilities	13,600	13,600	12,537	1,063
Supplies	100	100	57	43
Repairs and maintenance	7,500	7,500	5,742	1,758
Debt Service	24,951	24,951	24,447	504
Capital outlay	10,000	10,000	-	10,000
<b>Total recreation</b>	<b>91,404</b>	<b>91,404</b>	<b>78,085</b>	<b>13,319</b>

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, 2025**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Library:</b>				
Utilities	5,500	5,500	7,107	(1,607)
Repairs and maintenance	2,500	2,500	878	1,622
Insurance	800	800	303	497
<b>Total library</b>	<u>8,800</u>	<u>8,800</u>	<u>8,289</u>	<u>511</u>
<b>Total Expenditures</b>	<u>2,467,480</u>	<u>2,467,480</u>	<u>3,599,413</u>	<u>(1,131,933)</u>
<b>Other Sources and Uses</b>				
Bond Proceeds	-	-	1,287,000	(1,287,000)
Loan Proceeds	254,477	254,477	254,477	-
Sale of surplus equipment	500	500	1,000	(500)
Net change in fund balances	(407,180)	(407,180)	47,547	(110,884)
<b>Fund Balances - beginning</b>	<u>1,125,360</u>	<u>1,125,360</u>	<u>1,125,360</u>	<u>-</u>
<b>Fund Balances - end</b>	<u><u>\$ 674,568</u></u>	<u><u>\$ 674,568</u></u>	<u><u>\$ 1,172,907</u></u>	<u><u>\$ (110,884)</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, 2025**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
<b>Intergovernmental:</b>				
State gas and motor fuel	\$ 36,000	\$ 36,000	\$ 35,775	\$ (225)
State gas and motor fuel (Gas 3 cent)	9,000	9,000	8,951	(49)
State gas and motor fuel (2017)	15,000	15,000	15,579	579
<b>Total Revenues</b>	<u>60,000</u>	<u>60,000</u>	<u>60,305</u>	<u>305</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Repair and Maintenance	6,000	6,000	2,735	3,265
Street lighting	17,400	17,400	13,621	3,779
Debt service	29,805	29,805	29,805	-
Capital Outlay	100,000	100,000	30,659	69,341
<b>Total Expenditures</b>	<u>153,205</u>	<u>153,205</u>	<u>76,820</u>	<u>76,385</u>
<b>Other Sources and Uses</b>				
Transfers in -general fund	75,000	75,000	-	75,000
Net change in fund balances	(18,205)	(18,205)	(16,515)	(76,080)
<b>Fund Balances - beginning</b>	<u>131,865</u>	<u>131,865</u>	<u>131,865</u>	<u>-</u>
<b>Fund Balances - end</b>	<u><u>\$ 113,660</u></u>	<u><u>\$ 113,660</u></u>	<u><u>\$ 115,350</u></u>	<u><u>\$ (76,080)</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**  
**Drug Special Revenue Fund**  
**Year Ended June 30, 2025**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Fines	\$ -	\$ -	\$ 4,825	\$ 4,825
<b>Total Revenues</b>	-	-	4,825	4,825
<b>EXPENDITURES</b>				
<b>Current:</b>				
Supplies	6,565	6,565	1,065	5,500
<b>Total Expenditures</b>	6,565	6,565	1,065	5,500
Net change in fund balances	(6,565)	(6,565)	3,760	(675)
<b>Fund Balances - beginning</b>	142	142	142	-
<b>Fund Balances - end</b>	<u>\$ (6,423)</u>	<u>\$ (6,423)</u>	<u>\$ 3,902</u>	<u>\$ (675)</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, 2025**

	<b>Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets			
Cash	\$ 2,317,407	\$ 151,512	\$ 2,468,919
Accounts receivable	156,210	-	156,210
Inventories	64,781	-	64,781
Prepaid Expenses	36,327	-	36,327
Due from other funds	3,921	22,868	26,789
<b>Total Current Assets</b>	<u>2,578,646</u>	<u>174,380</u>	<u>2,753,026</u>
Non-current Assets			
Capital assets, net of accumulated depreciation	15,193,909	3,194	15,197,103
<b>Total Assets</b>	<u>\$ 17,772,555</u>	<u>\$ 177,574</u>	<u>\$ 17,950,129</u>
<b>DEFERRED OUTFLOWS</b>			
Deferred Outflows - Pensions	37,706	-	37,706
<b>Total Deferred Outflows</b>	<u>37,706</u>	<u>-</u>	<u>37,706</u>
<b>LIABILITIES</b>			
Current Liabilities			
Current maturities of long term debt	\$ 333,679	\$ -	\$ 333,679
Accounts payable	1,347,365	-	1,347,365
Compensated absences - short term	5,963	-	5,963
Due to other funds	22,868	-	22,868
Other accrued expenses	15,832	-	15,832
<b>Total Current Liabilities</b>	<u>1,725,707</u>	<u>-</u>	<u>1,725,707</u>
Non-current Liabilities			
Net Pension Liability	9,504	-	9,504
Compensated absences - long term	13,914	-	13,914
Long-term debt, net of current maturities	8,280,428	-	8,280,428
<b>Total Non-current Liabilities</b>	<u>8,303,846</u>	<u>-</u>	<u>8,303,846</u>
<b>Total Liabilities</b>	<u>\$ 10,029,553</u>	<u>\$ -</u>	<u>\$ 10,029,553</u>
<b>DEFERRED INFLOWS</b>			
Deferred Inflows - Pensions	845	-	845
<b>Total Deferred Inflows</b>	<u>845</u>	<u>-</u>	<u>845</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 6,579,802	\$ 3,194	\$ 6,582,996
Restricted	-	174,380	174,380
Unrestricted	1,200,061	-	1,200,061
<b>Total Net Position</b>	<u>\$ 7,779,863</u>	<u>\$ 177,574</u>	<u>\$ 7,957,437</u>

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, 2025**

	<b>Enterprise Funds</b>		
	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Total</b>
	<b>Fund</b>	<b>Fund</b>	
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,286,250	\$ 253,572	\$ 2,539,822
Other Income	6,250	975	7,225
<b>Total Operating Revenues</b>	<u>2,292,500</u>	<u>254,547</u>	<u>2,547,047</u>
<b>OPERATING EXPENSES</b>			
Salaries and Benefits	437,767	-	437,767
Payroll Taxes	33,490	-	33,490
Insurance	266,010	-	266,010
Utilities	85,226	-	85,226
Purchased water for resale	251,175	-	251,175
Repairs and maintenance	117,804	-	117,804
Supplies	191,630	-	191,630
Depreciation	249,223	5,475	254,698
Office expense	11,081	-	11,081
Professional Fees	139,729	118	139,847
Gas and oil	10,081	-	10,081
Landfill expense	-	199,680	199,680
Other	10,195	-	10,195
<b>Total Operating Expenses</b>	<u>1,803,411</u>	<u>205,273</u>	<u>2,008,684</u>
Operating income (loss)	489,089	49,274	538,363
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	6,437	169	6,606
Interest expense	(693,410)	-	(693,410)
Debt Issuance expense	(44,207)	-	(44,207)
Capacity Fees	618,000	-	618,000
Grant revenue	223,330	-	223,330
<b>Total Non-operating Revenues (Expenses)</b>	<u>110,150</u>	<u>169</u>	<u>110,319</u>
<b>Income (Loss) Before Contributions</b>	599,239	49,443	648,682
<b>Net Position - beginning</b>	<u>7,180,624</u>	<u>128,131</u>	<u>7,308,755</u>
<b>Net Position - end</b>	<u>\$ 7,779,863</u>	<u>\$ 177,574</u>	<u>\$ 7,957,437</u>

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, 2025**

	<b>Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 2,297,675	\$ 254,547	\$ 2,552,222
Payments to suppliers and others	161,592	(199,798)	(38,206)
Payments to employees for wages & benefits	(484,427)	-	(484,427)
<b>Net cash provided (used) by operating activities</b>	<u>1,974,840</u>	<u>54,749</u>	<u>2,029,589</u>
<b>Cash Flows from NonCapital and Related Financing Activities</b>			
Increase (decrease) in due from other funds	(3,921)	1,666	(2,255)
<b>Cash Flows from Capital and Related Financing Activities</b>			
Additions to capital assets	(9,712,752)	-	(9,712,752)
Principal payments on long-term debt, net	(176,677)	-	(176,677)
Interest paid on long-term debt, net	(693,410)	-	(693,410)
Proceeds from debt	7,560,808	-	7,560,808
Proceeds from capacity fees	618,000	-	618,000
Proceeds from grant funds	223,330	-	223,330
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(2,180,701)</u>	<u>-</u>	<u>(2,180,701)</u>
<b>Cash Flows from Investing Activities</b>			
Interest received	6,437	169	6,606
<b>Net cash provided (used) by investing activities</b>	<u>6,437</u>	<u>169</u>	<u>6,606</u>
<b>Net increase (decrease) in cash</b>	(203,345)	56,584	(146,761)
<b>Cash - beginning</b>	<u>2,520,752</u>	<u>94,928</u>	<u>2,615,680</u>
<b>Cash - end</b>	<u>\$ 2,317,407</u>	<u>\$ 151,512</u>	<u>\$ 2,468,919</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	\$ 489,089	\$ 49,274	\$ 538,363
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	249,223	5,475	254,698
(Increase) decrease in accounts receivable, net	5,175	-	5,175
(Increase) decrease in prepaid expense and other assets	4,604	-	4,604
(Increase) decrease in inventories	(21,437)	-	(21,437)
(Increase) decrease in deferred outflows-pensions	(15,287)	-	(15,287)
Increase (decrease) in accounts payable	1,294,846	-	1,294,846
Increase (decrease) in accrued expenses & compensated absences	(21,344)	-	(21,344)
Increase (decrease) in deferred inflows-pensions	(845)	-	(845)
Increase (decrease) in net pension liability	(9,184)	-	(9,184)
Total adjustments	<u>1,485,751</u>	<u>5,475</u>	<u>1,491,226</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 1,974,840</u>	<u>\$ 54,749</u>	<u>\$ 2,029,589</u>
<b>Schedule of Capital and Related Financing Activities that did not result in cash payments:</b>			
Capital assets paid with previous years payables	\$ 18,392	\$ -	\$ 18,392

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

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2025**

**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, 2025**

**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, 2025**

**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, 2025**

**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, 2025**

**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**

In June of 2022, the Governmental Accounting Standards Board issued GASB Statement No. 101 related to Compensated Absences. The Statement improves accounting and financial reporting for Compensated Absences and is effective for fiscal years beginning after December 15, 2023. The Statement establishes standards of accounting and financial reporting for (1) compensated absences and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). The requirements of this Statement apply to the financial statements of all state and local governments. There was no material impact to the financial statements.

In December of 2023, the Governmental Accounting Standards Board issued GASB Statement No. 102 related to Certain Risk Disclosures. This Statement improves accounting and financial reporting by state and local governments for Certain Risk Disclosures and is effective for fiscal years beginning after June 15, 2024. The objective of this statement is to provide users of government financial statements with essential information about risk related to a government's vulnerabilities due to certain concentrations and constraints. The requirement of this Statement applies to financial statement of all state and local governments. There was no financial statement impact.

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2025**

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

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

**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. Upon leave, the Employees sick leave balances are reported to TCRS.

**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:

*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, 2024.

*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.

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2025**

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

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

**9. Fund Equity – (continued)**

*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.

**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. Currently, the Town has one type of item that qualifies for reporting in this category: deferred outflows related to Pensions.

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.

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2025**

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

**E. Assets, Liabilities and Fund Equity-(Continued)**

**11. Deferred Outflows / Inflows of Resources – (continued)**

Additionally, the Town has a deferred inflow recorded that is related to pensions. 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.

**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.

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2025**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

A summary of cash deposits with financial institutions as of June 30, 2025 is as follows:

	Carrying Amount	Bank Amount
Cash, unrestricted, all fund types:		
Amount Insured		
FDIC	\$ 3,694,113	\$3,413,857
Cash on Hand	500	-
	\$ 3,694,613	\$3,413,857

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 it 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, 2025, all bank deposits were either fully insured by the FDIC or collateralized by the Tennessee Collateral Pool.

**B. Receivables**

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

	General	State Street Aid	Drug	Water and Sewer	Sanitation	Total
Receivables:						
Taxes - property	\$ 823,962	\$ -	\$ -	\$ -	\$ -	\$ 823,962
Taxes - other	132,665	-	-	-	-	132,665
Accounts	-	-	-	158,688	-	158,688
Intergovernmental	48,797	10,343	-	-	-	59,140
Gross receivables	1,005,424	10,343	-	158,688	-	1,174,455
Less: Allowance for						
Uncollectibles	(11,011)	-	-	(2,478)	-	(13,489)
Total Receivables, Net	\$ 994,413	\$ 10,343	\$ -	\$ 156,210	\$ -	\$ 1,160,966

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2025**

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

**B. Receivables – (continued)**

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	\$ 812,951
Other tax revenue	86,841
 Total unavailable revenue	 \$ 899,792

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, 2025.

**C. Capital Assets**

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 268,284	\$ -	\$ -	\$ 268,284
Construction in Process	254,239	-	-	254,239
Total capital assets, not being depreciated	522,523	-	-	522,523
Capital assets, being depreciated:				
Buildings	2,173,823	-	-	2,173,823
Infrastructure	378,868	-	-	378,868
Improvements other than buildings	840,690	-	-	840,690
Equipment	2,664,690	286,858	(119,145)	2,832,403
Total capital assets, being depreciated	6,058,071	286,858	(119,145)	6,225,784
Less accumulated depreciation for:				
Buildings	(593,864)	(58,053)	-	(651,917)
Infrastructure	(86,517)	(9,633)	-	(96,150)
Improvements other than buildings	(154,742)	(25,252)	-	(179,994)
Equipment	(1,747,051)	(183,785)	119,145	(1,811,691)
Total accumulated depreciation	(2,582,174)	(276,723)	119,145	(2,739,752)
Total capital assets, being depreciated, net	3,475,897	10,135	-	3,486,032
Governmental activities capital assets, net	\$ 3,998,420	\$ 10,135	\$ -	\$ 4,008,555

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2025**

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

**C. Capital Assets-(Continued)**

	Balance	Increases	Decreases	Balance
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 101,707	\$ -	\$ -	\$ 101,707
Construction in Process	953,383	9,723,761	(181,230)	10,495,914
Total capital assets, not being depreciated	<u>1,055,090</u>	<u>9,723,761</u>	<u>(181,230)</u>	<u>10,597,621</u>
Capital assets, being depreciated:				
Buildings	1,603,459	-	-	1,603,459
Infrastructure	7,428,547	-	-	7,428,547
Improvements other than buildings	37,604	-	-	37,604
Equipment	575,607	188,612	-	764,219
Total capital assets, being depreciated	<u>9,645,217</u>	<u>188,612</u>	<u>-</u>	<u>9,833,829</u>
Less accumulated depreciation for:				
Buildings	(1,008,970)	(32,297)	-	(1,041,267)
Infrastructure	(3,641,438)	(184,249)	-	(3,825,687)
Improvements other than buildings	(29,386)	(1,761)	-	(31,147)
Equipment	(299,855)	(36,391)	-	(336,246)
Total accumulated depreciation	<u>(4,979,649)</u>	<u>(254,698)</u>	<u>-</u>	<u>(5,234,347)</u>
Total capital assets, being depreciated, net	<u>4,665,568</u>	<u>(66,086)</u>	<u>-</u>	<u>4,599,482</u>
Business-type activities capital assets, net	<u>\$ 5,720,658</u>	<u>\$ 9,657,675</u>	<u>\$ (181,230)</u>	<u>\$ 15,197,103</u>

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

Governmental Activities:	
General government	\$ 32,294
Public safety	196,650
Recreation	21,879
Highways and streets	25,900
Total depreciation expense-governmental activities	<u>\$ 276,723</u>
Business-type Activities:	
Water and Sewer	\$ 249,223
Sanitation	5,475
Total depreciation expense-business-type activities	<u>\$ 254,698</u>

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2025**

**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, 2025:

	General	State Street Aid	Drug	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Nonspendable:				
Prepaid expenses	\$ 43,897	\$ -	\$ -	\$ 43,897
Restricted:				
Highways & Streets	-	115,350	-	115,350
Public Safety	-	-	3,902	3,902
	<u>-</u>	<u>115,350</u>	<u>3,902</u>	<u>119,252</u>
Assigned				
Industrial development	215,486	-	-	215,486
	<u>215,486</u>	<u>-</u>	<u>-</u>	<u>215,486</u>
Unassigned	917,678	-	-	917,678
Total Fund Balance	<u>\$1,177,061</u>	<u>\$115,350</u>	<u>\$3,902</u>	<u>\$ 1,296,313</u>

**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, 2025 is presented on the following page:

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2025**

**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%.	\$ 187,000	\$ -	\$ (45,000)	\$ 142,000	\$ 46,000
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%.	344,900	-	(45,000)	299,900	46,000
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%.	1,098,523	254,477	(1,353,000)	-	-
Series 2024, \$1,287,000 Local Government Loan Program Bond, due in installments of \$69,000 to \$106,000 through final maturity October 2039, at an interest rate of 4.716%.	-	1,287,000	-	1,287,000	69,000
	<u>\$ 531,900</u>	<u>\$ 1,541,477</u>	<u>\$(1,443,000)</u>	<u>\$ 1,728,900</u>	<u>\$ 161,000</u>
Less current maturities of long-term debt				(161,000)	
Total noncurrent liabilities				<u>\$ 1,567,900</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%.	\$ 35,985	\$ -	\$ (17,689)	\$ 18,296	\$ 18,296
Revolving Fund Loan \$709,875 due in monthly installments of \$2,789 through final maturity August 2040, at an interest rate of 1.04%.	497,855	-	(28,488)	469,367	28,716
Series 2020, \$1,600,000, General Obligation Bond, Local Government Loan Program Bond, due in installments of \$61,000 to \$102,000 through final maturity in March 2040, at an interest rate of 2.77%.	651,929	694,071	(68,000)	1,278,000	70,000
Series 2024A, \$16,975,000, General Obligation Bond, Local Government Loan Program Bond, due in installments of \$12,500 to \$83,333 through final maturity in Jan 2054, at an interest rate of 4.25-4.50%.	-	6,910,944	(62,500)	6,848,444	216,667
	<u>\$ 1,185,769</u>	<u>\$ 7,605,015</u>	<u>\$ (176,677)</u>	<u>8,614,107</u>	<u>\$ 333,679</u>
				(333,679)	
				<u>\$ 8,280,428</u>	

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2025**

**NOTE 4 – LONG-TERM DEBT-(Continued)**

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

<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>
2026	\$ 161,000	\$ 70,425
2027	165,000	64,428
2028	171,000	58,249
2029	125,000	52,633
2030	129,000	47,601
2031-2035	481,900	169,208
2036-2040	496,000	59,990
	<u>\$ 1,728,900</u>	<u>\$ 522,534</u>

<u>Business-type Activities</u>		
<u>Notes and Bonds from Direct</u>		
<u>Year Ending</u>	<u>Borrowings and Direct Placements</u>	
2026	\$ 117,012	\$ 40,780
2027	101,016	37,914
2028	103,328	35,608
2029	105,628	33,258
2030	107,940	30,840
2031-2035	577,452	115,850
2036-2040	647,696	45,668
2041	5,652	5
	<u>\$ 1,765,724</u>	<u>\$ 339,923</u>

The total amount of interest charged to expense was \$62,007, and \$693,410, respectively for the year ended June 30, 2025 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.

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2025**

**NOTE 4 – LONG-TERM DEBT-(Continued)**

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.

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 2025, this loan was refunded into the Local Government loan program bond, series 2024. The unpaid principal balance at June 30, 2025 is \$1,287,000.

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 \$694,070 for utility projects in the current fiscal year. Principal payments were made in the current fiscal year totaling \$68,000, bringing total unpaid principal balance at June 30, 2025 to \$1,278,000, as noted in the schedule of long-term debt.

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 \$28,488, bringing total unpaid principal balance at June 30, 2025 to \$469,367, as noted in the schedule of long-term debt.

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. The Town’s direct borrowings related to governmental and business-type activities require the same pledge of full faith and credit; however, none of the direct borrowings contain any provision for acceleration of payments of principal or are secured by collateral. All bonds and other loans included in long-term debt as of June 30, 2025 will generally be retired from governmental or enterprise fund cash.

**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.

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2025**

**NOTE 6 – INTERNAL BALANCES**

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.

Internal balances at June 30, 2025 consists of the following:

Due from Water and Sewer to Sanitation- \$22,868  
 Due from General to Water and Sewer- \$3,921

**NOTE 7 – DEFERRED OUTFLOWS RELATED TO PENSIONS**

Deferred outflows related to pensions at June 30, 2025 consists of:

Beginning balances	\$ -
Actuarial experience differences	35,935
Changes in assumptions	-
Current year prepaid pension	59,465
Net investment earnings	<u>-</u>
Total Deferred Outflows Related to Pensions	<u><u>\$ 95,400</u></u>

**NOTE 8 – NET PENSION LIABILITY**

Net pension liability at June 30, 2025 consists of:

Beginning balance	\$ 754
Service Cost	76,305
Interest expense	8,106
Actuarial experience differences	39,202
Contributions - Employee	(53,733)
Contributions - Employer	(38,937)
Net investment income	(8,675)
Administrative expenses	<u>1,024</u>
Total Net Pension Liability	<u><u>\$ 24,046</u></u>

**NOTE 9 – 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. All employees are eligible for employee contributions, but the employer contributions are only made to employees who originally opted out of the TCRS plan also offered by the Town. Eligible participants may contribute a portion of their salary, up to the legal limit established by the Internal Revenue Code.

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2025**

**NOTE 9 – RETIREMENT PLAN-(Continued)**

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, should they meet the above criteria.

Employer contributions totaled \$3,647 for the year ended June 30, 2025. The pension administrative expense is paid by the employees under the plan.

Contributions payable to the plan at June 30, 2025 were \$0 and \$0 for the governmental funds and enterprise funds, respectively.

**NOTE 10 – PENSION PLAN**

**General Information About the Pension Plan**

**Plan description**

Employees of the Town of Chapel Hill, Tennessee, are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS.

The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

**Benefits provided**

Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive years average compensation and the member's service credit. Reduced benefits for early retirement are available at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. Members vest with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for nonservice-related disability eligibility. The service-related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit.

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2025**

**NOTE 10 – PENSION PLAN (continued)**

**General Information About the Pension Plan-(Continued)**

No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

**Employees covered by benefit terms**

At the measurement date of June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving payments	1
Active employees	<u>14</u>
Total	<u>15</u>

**Contributions**

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute %5 of salary. The Town of Chapel Hill, Tennessee makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2025, the employer contributions for the Town of Chapel Hill, Tennessee were \$59,465 based on a rate of 7.04% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Town of Chapel Hill, Tennessee’s state shared taxes if required employer contributions are not remitted. The employer’s ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

The Town of Chapel Hill, Tennessee’s net pension liability (asset) was measured as of June 30, 2024, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

**Actuarial assumptions**

The total pension liability as of June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2025**

**NOTE 10 – PENSION PLAN (continued)**

The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

**Discount rate**

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

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2025**

**NOTE 10 – PENSION PLAN (continued)**

**Changes in the Net Pension Liability (Asset)**

	<b>Increase (Decrease)</b>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (asset) (a)-(b)
Balance at 6/30/23	43,789	43,035	754
<b>Changes for the year:</b>			
Service Cost	76,305	-	76,305
Interest	8,106	-	8,106
Changes of Benefit Terms	-	-	-
Differences between expected and actual experience	39,202	-	39,202
Changes in Assumptions	-	-	-
Contributions-employer	-	53,733	(53,733)
Contributions-employees	-	38,937	(38,937)
Net investment income	-	8,675	(8,675)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	(1,024)	1,024
Other changes	-	-	-
<b>Net changes</b>	123,613	100,321	23,292
<b>Balance at 6/30/24</b>	\$ 167,402	\$ 143,356	\$ 24,046

**Sensitivity of the net pension liability (asset) to changes in the discount rate**

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

	<b>1% Decrease (5.75%)</b>	<b>Discount Rate (6.75%)</b>	<b>1% Increase (7.75%)</b>
Net Pension Liability (Asset)	\$56,758	\$24,046	(\$1,977)

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

**Pension expense (Negative pension expense)**

For the fiscal year ended June 30, 2025, the Town of Chapel Hill, Tennessee recognized pension expense (negative pension expense) of \$43,233.

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2025**

**NOTE 10 – PENSION PLAN (continued)**

**Deferred outflows of resources and deferred inflows of resources**

For the fiscal year ended June, 30, 2025, the Town of Chapel Hill, Tennessee reported deferred outflows of resources and deferred inflows of resources related to Pensions from the following sources:

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between actual and expected experience	\$ 35,935	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,138
Changes of assumptions	-	-
Contributions subsequent to the measurement date of June 30, 2024	59,465	-
Total	\$ 95,400	\$ 2,138

The amounts shown above for "Contributions subsequent to the measurement date of June 30, 2024" will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

For the year ended June 30:	
2026	2,733
2027	2,733
2028	2,733
2029	2,732
2030	3,267
Thereafter	19,602

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

**Payable to the Pension Plan**

At June 30, 2025, the Town of Chapel Hill, Tennessee reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2025.

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2025**

**NOTE 11 - 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 12 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through January 20, 2026, when the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Schedule of Changes in the Town of Chapel Hill, Tennessee's Net Pension**  
**Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension**  
**Plan of the TCRS**

**Last Fiscal Year ending June 30**

	2024
<b>Total pension liability (asset)</b>	
Service cost	\$ 76,305
Interest	8,106
Changes in benefit terms	-
Differences between actual and expected experience	39,202
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	-
Net change in total pension liability (asset)	123,613
Total pension liability (asset) - beginning	43,789
Total pension liability (asset) - ending (a)	\$ 167,402
 <b>Plan fiduciary net position</b>	
Contributions-employer	\$ 53,733
Contributions-employee	38,937
Net investment income	8,675
Benefit payments, including refunds of employee contributions	-
Administrative expense	(1,024)
Other	-
Net change in fiduciary net position	100,321
Plan fiduciary net position - beginning	43,035
Plan fiduciary net position - ending (b)	\$ 143,356
 <b>Net Pension Liability (Asset) - ending (a)-(b)</b>	 \$ 24,046
 Plan fiduciary net position as a percentage of total pension liability (asset)	 85.64%
Covered payroll	\$ 778,742
Net pension liability (asset) as a percentage of covered payroll	3.09%

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Schedule of Changes in the Town of Chapel Hill, Tennessee's Net Pension**  
**Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension**  
**Plan of the TCRS (continued)**

**Notes to Schedule:**

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

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

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Schedule of Contributions Based on Participation**  
**in the Public Employee Pension Plan of the TCRS**  
**June 30, 2025**

	2024	2025
Actuarially determined contribution	53,733	59,465
Contributions in relation to the actuarially determined contribution	53,733	59,465
Contribution deficiency (excess)	-	-
Covered payroll	778,742	844,264
Contributions as a % of covered payroll	6.90%	7.04%

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

**Notes to Schedule:**

*Valuation date:* Actuarially determined contribution rates for fiscal year 2025 were calculated based on the June 30, 2023 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.125 percent

*Changes of assumptions.* In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; and decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent.

## **OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF CHAPEL HILL, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
**Year Ended June 30, 2025**

	<u>Total</u>	<u>2025</u>	<u>2024</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>
Balance, beginning of year	\$ 805,911	\$ -	\$784,994	\$ 13,695	\$ 143	\$ 490	\$ 803	\$1,353	\$ 349	\$ 303	\$3,781
Taxes levied	\$ 814,098	799,546	14,552	-	-	-	-	-	-	-	-
Collections/Adjustments	<u>\$ (796,047)</u>	<u>-</u>	<u>(782,767)</u>	<u>(12,053)</u>	<u>(6)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,221)</u>
Balance, end of year	<u>\$ 823,962</u>	<u>\$799,546</u>	<u>\$ 16,779</u>	<u>\$ 1,642</u>	<u>\$ 137</u>	<u>\$ 490</u>	<u>\$ 803</u>	<u>\$1,353</u>	<u>\$ 349</u>	<u>\$ 303</u>	<u>\$2,560</u>
Less allowance for uncollectible accounts	<u>(11,011)</u>										
Balance, end of year, net of allowance	<u>\$ 812,951</u>										

All taxes prior to 2024 have been turned over to the County for collection.

**TOWN OF CHAPEL HILL, TENNESSEE**  
**SCHEDULE OF TAX RATES AND ASSESSMENTS**  
**LAST TEN YEARS**  
**June 30, 2025**

<u>Year</u>	<u>Assessment</u>	<u>Tax Rate</u>
2025	85,176,008	0.91
2024	80,807,592	0.91
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

**TOWN OF CHAPEL HILL, TENNESSEE  
 SCHEDULE OF WATER, SEWER AND SANITATION RATES  
 JUNE 30, 2025**

<u>Services</u>	<u>Number of Customers</u>
Water	1,200
Sewer	1,042
Sanitation	1,049

<b>Water Rates</b>	<b>Rate per Gallon</b>	
	<b>Inside City*</b>	<b>Outside City*</b>
	<b>Base Rate - \$26.33</b>	<b>Base Rate - \$34.22</b>
First 9,999 gallons	\$ 7.73	\$ 10.06
Per 1,000 gallons for 10,000 through 14,999 gallons	\$ 12.48	\$ 12.48
Per 1,000 gallons for 15,000 and over	\$ 15.61	\$ 15.61

<b>Sewer Rates</b>	<b>Rate per Gallon</b>	
	<b>Inside City*</b>	<b>Outside City*</b>
	<b>Base Rate - \$29.48</b>	<b>Base Rate - \$38.31</b>
Per 1,000 gallons	\$ 9.42	\$ 11.07

<b>Sanitation Rate</b>	
Per month	\$ 9.42

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

**June 30, 2025**

Year Ending June 30,	Governmental Activities							
	Series 2015, General Obligation Capital Outlay Note		Series 2017, Local Government Loan Program Bond		Series 2024, Local Government Loan Program Bond		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	46,000	3,546	46,000	7,812	69,000	59,067	161,000	70,425
2027	47,000	2,161	47,000	6,501	71,000	55,766	165,000	64,428
2028	49,000	730	49,000	5,148	73,000	52,371	171,000	58,249
2029	-	-	50,000	3,752	75,000	48,881	125,000	52,633
2030	-	-	51,000	2,328	78,000	45,273	129,000	47,601
2031	-	-	53,000	861	80,000	41,548	133,000	42,409
2032	-	-	3,900	56	82,000	37,728	85,900	37,784
2033	-	-	-	-	85,000	33,790	85,000	33,790
2034	-	-	-	-	88,000	29,711	88,000	29,711
2035	-	-	-	-	90,000	25,514	90,000	25,514
2036	-	-	-	-	93,000	21,199	93,000	21,199
2037	-	-	-	-	96,000	16,742	96,000	16,742
2038	-	-	-	-	99,000	12,144	99,000	12,144
2039	-	-	-	-	102,000	7,355	102,000	7,355
2040	-	-	-	-	106,000	2,550	106,000	2,550
<b>Total</b>	<b>\$ 142,000</b>	<b>\$ 6,437</b>	<b>\$ 299,900</b>	<b>\$ 26,458</b>	<b>\$ 1,287,000</b>	<b>\$ 489,639</b>	<b>\$ 1,728,900</b>	<b>\$ 522,534</b>

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

**June 30, 2025**

Year Ending June 30,	Business-Type Activities									
	Financed Purchased Obligation		Series 2020, Local Government Loan Program		State Revolving Fund Loan CW6 2018-399		Series 2024, Local Government Loan Program (1)		Total Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	18,296	628	70,000	35,400	28,716	4,752	216,667	746,169	117,012	40,780
2027	-	-	72,000	33,462	29,016	4,452	316,250	736,960	101,016	37,914
2028	-	-	74,000	31,468	29,328	4,140	331,250	723,520	103,328	35,608
2029	-	-	76,000	29,418	29,628	3,840	346,250	709,442	105,628	33,258
2030	-	-	78,000	27,312	29,940	3,528	361,250	694,726	107,940	30,840
2031	-	-	80,000	25,152	30,252	3,216	376,250	679,373	110,252	28,368
2032	-	-	82,000	22,936	30,564	2,904	393,333	663,382	112,564	25,840
2033	-	-	85,000	20,664	30,888	2,580	411,250	646,666	115,888	23,244
2034	-	-	87,000	18,310	31,212	2,256	428,333	629,188	118,212	20,566
2035	-	-	89,000	15,900	31,536	1,932	448,333	610,983	120,536	17,832
2036	-	-	92,000	13,434	31,872	1,596	468,333	591,929	123,872	15,030
2037	-	-	94,000	10,886	32,196	1,272	490,417	572,025	126,196	12,158
2038	-	-	97,000	8,282	32,532	936	513,333	551,182	129,532	9,218
2039	-	-	100,000	5,596	32,880	588	535,417	529,366	132,880	6,184
2040	-	-	102,000	2,826	33,216	252	560,417	506,610	135,216	3,078
2041	-	-	-	-	5,591	5	436,361	365,419	5,591	5
<b>Total</b>	<b>\$ 18,296</b>	<b>\$ 628</b>	<b>\$ 1,278,000</b>	<b>\$ 301,046</b>	<b>\$ 469,367</b>	<b>\$ 38,249</b>	<b>\$ 6,848,444</b>	<b>\$ 9,956,940</b>	<b>\$ 1,765,663</b>	<b>\$ 339,923</b>

(1) Total amount approved was \$16,975,000, of which \$10,126,556 remains available to draw as of June 30, 2025

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

**June 30, 2025**

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2024	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2025
<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	\$ 187,000	\$ -	\$ 45,000	\$ -	\$ 142,000
Local Government Loan Program Bond, Series 2017	1,000,000	2.82%	12/28/2017	12/1/2031	344,900	-	45,000	-	299,900
Local Government Loan Program Bond, Series 2019	1,600,000	3.13%	11/22/2019	(1)	1,098,523	254,477	-	1,353,000	-
Local Government Loan Program Bond, Series 2024	1,287,000	4.72%	11/20/2024	10/1/2039	-	1,287,000	-	-	1,287,000
Total Bonds Payable through Governmental Activities					<u>\$1,630,423</u>	<u>\$1,541,477</u>	<u>\$ 90,000</u>	<u>\$1,353,000</u>	<u>\$1,728,900</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)	\$ 651,930	\$ 694,070	\$ 68,000	\$ -	\$1,278,000
Local Government Loan Program Bond, Series 2024	16,975,000	4.25-4.50%	9/1/2024	1/1/2054	-	6,910,944	62,500	-	6,848,444
Total Bonds Payable through Business-Type Activities					<u>\$ 651,930</u>	<u>\$7,605,014</u>	<u>\$ 130,500</u>	<u>\$ -</u>	<u>\$8,126,444</u>
<u>FINANCED PURCHASE OBLIGATIONS</u>									
Financed Purchase Obligation	\$ 158,722	3.43%	3/16/2016	1/15/2026	\$ 35,985	\$ -	\$ 17,689	\$ -	\$ 18,296
Total Financed Purchase Obligations through Business-Type Activities					<u>\$ 35,985</u>	<u>\$ -</u>	<u>\$ 17,689</u>	<u>\$ -</u>	<u>\$ 18,296</u>
<u>OTHER LOAN PAYABLE</u>									
State Revolving Fund Loan (CW6)	\$ 709,875	1.04%	3/18/2018	8/18/2040	\$ 497,856	\$ -	\$ 28,488	\$ -	\$ 469,368
Total Other Loan Payable through Business-Type Activities					<u>\$ 497,856</u>	<u>\$ -</u>	<u>\$ 28,488</u>	<u>\$ -</u>	<u>\$ 469,368</u>

(1) Total amount approved was \$1,600,000, of which \$0 remains available to draw as of June 30, 2025

(2) Total amount approved was \$1,600,000, of which \$0 remains available to draw as of June 30, 2025

**TOWN OF CHAPEL HILL, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**Year Ended June 30, 2025**

Federal/State Grantor Pass-through Grantor Program Title	Assistance Listing Number	Grant/Project Number	Grant Expenditures
<b><u>Federal Programs</u></b>			
U.S. Department of Transportation/State of TN Highway Safety High Visibility Enforcement of TN Traffic Safety	20.607	T20THS047	\$ 26,030
U.S. Department of Interior/Passed thru TN Department of Environment & conservation	21.027	N/A	<u>37,774</u>
<b>Total Federal Programs</b>			<u>63,804</u>
<b><u>State Programs</u></b>			
TN Department of Economic and Community Development - Infrastructure Planning Grant (REO)		33007-51724	185,556
TN Department of Finance & Administration - Fire Salary Supplement		N/A	<u>3,600</u>
<b>Total Federal and State Programs</b>			<u><u>\$ 252,960</u></u>

**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, 2025. 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 469,367 in association with Tennessee Department of Environment and Conservation State Revolving Fund Loan Program.

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

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

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, 2025, 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 20, 2026.

### 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.



Matlock Clements, P.C.  
Murfreesboro, Tennessee  
January 20, 2026

**TOWN OF CHAPEL HILL, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2025**

**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, 2025**

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

**No prior year findings noted.**