

**TOWN OF HOLLOW ROCK, TENNESSEE**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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## **INTRODUCTORY SECTION**

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**DIRECTORY**  
June 30, 2022

**ELECTED OFFICIALS**

Rob Woods, Mayor  
Curt Lumley, Vice Mayor  
Bobby Brotherton, Alderman  
Angela Stockdale, Alderman  
Morris Rogers, Alderman  
Michael Smith, Alderman

**HIRED OFFICIALS**

Sharon Mann, City Recorder  
Tim Runions, CFO, CMFO Designate

**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

ATA, PLLC  
Jackson, Tennessee

## **FINANCIAL SECTION**



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## Independent Auditor's Report

Honorable Rob Woods, Mayor  
Members of the Board of Aldermen  
Town of Hollow Rock, Tennessee

### Report on the Audit of the Financial Statements

#### Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Hollow Rock, Tennessee, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund and the ARPA 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, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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'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'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'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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management discussion and analysis as listed in the table of contents 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's basic financial statements. The supplementary and other information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary and other 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 section 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 May 15, 2024 on our consideration of the Town of Hollow Rock'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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hollow Rock's internal control over financial reporting and compliance.

*ATA, PLLC*

Jackson, Tennessee  
May 15, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Hollow Rock, we offer readers of the Town of Hollow Rock's financial statements this narrative overview and analysis of the financial activities of the Town of Hollow Rock for the fiscal year ended June 30, 2022. Comparative analyses of key elements of total governmental funds and total enterprise funds have been provided.

### FINANCIAL HIGHLIGHTS

- The assets of the Town of Hollow Rock exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$2.61 million (*net position*). Of this amount, \$1.05 million (*unrestricted net position*) may be used to meet the Town of Hollow Rock's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town of Hollow Rock's general fund reported an ending fund balance of \$565 thousand. The decrease in comparison with the prior year was due to a negative change in fund balance of \$139 thousand. \$557 thousand of the fund balance of the amount is available for spending at the Town of Hollow Rock's discretion (*unassigned fund balance*) and \$7 thousand is considered nonspendable.
- The Town of Hollow Rock's long-term debt outstanding decreased by \$11 thousand during the current fiscal year due to principal payments on the long-term debt.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Hollow Rock's basic financial statements. The Town's basic financial statements are comprised of the following components:

1. Government-wide financial statements
2. Fund financial statements and
3. Notes to the financial statements
4. This report also contains supplementary information, required supplementary information, an introductory section, and an internal control and compliance section 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 of Hollow Rock's finances, in a manner similar to a private-sector business.

- The Statement of Net Position presents information on all of the Town of Hollow Rock's assets, deferred outflows/inflows of resources, and liabilities, with the difference 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 of Hollow Rock is improving or deteriorating.
- The Statement of Activities presents information showing how the Town of Hollow Rock's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, compensated absences, etc.).

Both of the government-wide financial statements distinguish functions of the Town of Hollow Rock 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 of Hollow Rock include

general government, public safety, public works, and debt service. The business-type activities of the Town of Hollow Rock include the Water and Sewer fund and Solid Waste Disposal. The government-wide financial statements can be found on pages 10 to 12 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Hollow Rock, 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 of Hollow Rock can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, 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 of Hollow Rock'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 and reconciliations can be found on pages 13 to 16 of this report.

The City maintains four 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 and ARPA fund which are considered to be major funds.

**Proprietary funds** – There are two different types of proprietary funds.

- *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Hollow Rock uses enterprise funds to account for the water and sewer fund, and the solid waste disposal fund.
- *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a government's various functions. The Town of Hollow Rock currently has no internal service funds.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund and the solid waste disposal fund which are considered to be major funds of the Town of Hollow Rock. The basic proprietary fund financial statements can be found on pages 17 to 20 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 to 35 of this report.

### **Other Information**

Supplementary and other information is included in this report. The introductory section includes the directory and the supplementary and other information section includes the combined and individual non-major fund statements and schedules along with supplementary schedules of selected financial and other information.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Statement of Net Position** - 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 Hollow Rock, assets exceeded liabilities and deferred inflows of resources by \$2.61 million at the close of the most recent fiscal year. The largest portion of the Town's net position (47.73%) reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town of Hollow Rock uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Hollow Rock'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.

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 744,782	\$ 814,319	\$ 724,338	\$ 675,469	\$ 1,469,120	\$ 1,489,788
Capital assets	472,782	346,260	1,235,931	1,299,249	1,708,713	1,645,509
Total assets	<u>1,217,564</u>	<u>1,160,579</u>	<u>1,960,269</u>	<u>1,974,718</u>	<u>3,177,833</u>	<u>3,135,297</u>
Current liabilities	-	5,271	9,205	39,906	9,205	45,177
Long-term liabilities	91,441	91,441	370,550	371,386	461,991	462,827
Total liabilities	<u>91,441</u>	<u>96,712</u>	<u>379,755</u>	<u>411,292</u>	<u>471,196</u>	<u>508,004</u>
Deferred inflows of resources	<u>94,512</u>	<u>88,000</u>	<u>-</u>	<u>-</u>	<u>94,512</u>	<u>88,000</u>
Net position:						
Net investment in capital assets	381,341	251,995	865,381	920,209	1,246,722	1,172,204
Restricted for:						
Drug fund	9,023	18,634	-	-	9,023	18,634
State street aid	-	27,901	-	-	-	27,901
Volunteer fire	11,497	-	-	-	11,497	-
ARPA	49,304	-	-	-	49,304	-
Unrestricted	<u>580,446</u>	<u>677,337</u>	<u>715,133</u>	<u>643,217</u>	<u>1,295,579</u>	<u>1,320,554</u>
Total net position	<u>\$ 1,031,611</u>	<u>\$ 975,867</u>	<u>\$ 1,580,514</u>	<u>\$ 1,563,426</u>	<u>\$ 2,612,125</u>	<u>\$ 2,539,293</u>

A portion (2.67%) of the net position is restricted for use by the drug fund, the ARPA fund, and the volunteer fire fund. The remaining balance of net position representing unrestricted net position (49.60%) may be used to meet the Town of Hollow Rock's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town of Hollow Rock is able to report positive balances in both categories of net position, both for the Town of Hollow Rock as a whole, as well as for its total governmental and total business-type activities.

During the current fiscal year, the Town's capital assets increased by \$63 thousand which was primarily due to current year capital purchases.

**Statement of Activities** – Expenses in governmental activities exceeded program revenues by \$314,436. In the business-type activities, program revenues exceeded expenses by \$15,432. General

government revenues of \$370,180 offset the deficit leaving a net profit of \$55,744. Other business type income of \$1,656 increased the change in net position leaving a net profit of \$17,088.

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 29,484	\$ 24,582	\$ 314,597	\$ 258,137	\$ 344,081	\$ 282,719
Operating grants and contributions	101,542	96,715	-	-	101,542	96,715
Capital grants and contributions	119,604	-	-	-	119,604	-
General revenues:						
Property taxes	106,669	99,695	-	-	106,669	99,695
Other taxes	181,995	131,165	-	-	181,995	131,165
Other sources	81,516	24,881	1,656	-	83,172	24,881
Total revenues	<u>\$ 620,810</u>	<u>\$ 377,038</u>	<u>\$ 316,253</u>	<u>\$ 258,137</u>	<u>\$ 937,063</u>	<u>\$ 635,175</u>
Expenses:						
General government	\$ 349,145	\$ 165,855	\$ -	\$ -	\$ 349,145	\$ 165,855
Public safety	53,791	38,765	-	-	53,791	38,765
Public works	157,674	28,473	-	-	157,674	28,473
Debt service	4,456	-	-	-	4,456	-
Water and Sewer	-	-	241,457	218,719	241,457	218,719
Solid Waste	-	-	57,708	62,642	57,708	62,642
Total expenses	<u>565,066</u>	<u>233,093</u>	<u>299,165</u>	<u>281,361</u>	<u>864,231</u>	<u>514,454</u>
Increase in net position	55,744	143,945	17,088	(23,224)	72,832	120,721
Net position - beginning	975,867	831,922	1,563,426	1,586,650	2,539,293	2,418,572
Net position - ending	<u>\$ 1,031,611</u>	<u>\$ 975,867</u>	<u>\$ 1,580,514</u>	<u>\$ 1,563,426</u>	<u>\$ 2,612,125</u>	<u>\$ 2,539,293</u>

## COMMENTS ON FUND FINANCIAL STATEMENTS

**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 Government's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund accounts for approximately 80.94% of governmental fund revenues. Accordingly this discussion will focus on the general fund. General fund balance was \$564,745 at the end of the current fiscal year and \$557 thousand of the balance was available to meet the day-to-day needs of the City and \$7 thousand was considered nonspendable.

Revenues in the general fund increased from last year by \$122 thousand primarily due to an increase in intergovernmental revenue. The most significant change in revenues in the general fund were:

- Intergovernmental revenue increased by \$65 thousand.

All other revenues were within reasonable variances from last year. A budget comparison statement has been provided to demonstrate compliance with the budget.

**Proprietary funds** – The Town of Hollow Rock's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of proprietary funds at the end of the year amounted to \$715 thousand. The

total increase in net position for these funds was \$17 thousand. The net change was primarily due to operating profits in the Solid Waste and the Water and Sewer funds.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

### ***Final Budgeted and Actual Amounts***

Actual revenues were over budgeted amounts by \$180 thousand. Federal and state grant revenues were over budgeted amounts by \$117 thousand. Local sales tax were also over budgeted amounts by \$28 thousand.

Expenditures were over budget by \$368 thousand in the current year. There were multiple significant variances including:

- Street department's new paving and materials were overbudget by \$128 thousand.
- Fire department capital outlay was overbudget by \$104 thousand.
- General government capital outlay was overbudget by \$104 thousand.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

***Capital Assets*** - At the end of fiscal year 2022, the Town had invested \$1.71 million net of accumulated depreciation in a variety of capital assets.

***Long-term debt*** – At the end of the current fiscal year, the Town of Hollow Rock had total debt outstanding of \$462 thousand. The entire amount comprises debt backed by the full faith and credit of the Town of Hollow Rock. Additional information on the Town of Hollow Rock's long-term debt can be found in Note 4D on pages 33 through 34 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The unemployment rate for Carroll County at June 30, 2022 was 4.7%. The state's average unemployment rate at the same date was 3.2%. The national average unemployment rate is currently 3.6%. All of the rates are from Bureau of Labor & Statistics released in September 2022. All of these factors were considered in preparing the Town of Hollow Rock's budget for the 2023 fiscal year.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Hollow Rock's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the Town of Hollow Rock'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, Town of Hollow Rock, PO Box 247, Hollow Rock, TN 38342.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**STATEMENT OF NET POSITION**  
June 30, 2022

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash on hand	\$ 25	\$ -	\$ 25
Cash and cash equivalents	598,391	699,518	1,297,909
Receivables:			
Taxes (net of allowances)	106,262	-	106,262
Accounts - other (net of allowances)	-	24,820	24,820
Accounts - court fines (net of allowances)	5,260	-	5,260
Intergovernmental	27,495	-	27,495
Prepaid insurance	7,349	-	7,349
Capital assets (not being depreciated):			
Land	28,650	4,828	33,478
Capital assets (net of accumulated depreciation):			
Buildings and improvements	235,866	-	235,866
Water and Sewer Plant in Operation	-	1,228,778	1,228,778
Machinery and equipment	208,266	2,325	210,591
Total assets	1,217,564	1,960,269	3,177,833
<b>Liabilities</b>			
Customer deposits	-	6,325	6,325
Compensated absences	-	2,880	2,880
Long-term liabilities:			
Due within one year	2,961	8,847	11,808
Due in more than one year	88,480	361,703	450,183
Total liabilities	91,441	379,755	471,196
<b>Deferred Inflows of Resources</b>			
Deferred revenue - property taxes	94,512	-	94,512
Total deferred inflows of resources	94,512	-	94,512
<b>Net Position</b>			
Net investment in capital assets	381,341	865,381	1,246,722
Restricted:			
Drug enforcement	9,023	-	9,023
Volunteer Fire	11,497	-	11,497
ARPA	49,304	-	49,304
Unrestricted	580,446	715,133	1,295,579
<b>Total net position</b>	<b>\$ 1,031,611</b>	<b>\$ 1,580,514</b>	<b>\$ 2,612,125</b>

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

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government:							
General government	\$ 297,676	\$ -	-	\$ 118,604	\$ (179,072)	\$ -	\$ (179,072)
ARPA	51,469	-	100,742	-	49,273	-	49,273
Public safety:							
Police	14,122	29,484	800	-	16,162	-	16,162
Fire	39,669	-	-	-	(39,669)	-	(39,669)
Public works:							
Street department	157,674	-	-	-	(157,674)	-	(157,674)
Debt service:							
Interest	4,456	-	-	-	(4,456)	-	(4,456)
Total governmental activities	<u>565,066</u>	<u>29,484</u>	<u>101,542</u>	<u>118,604</u>	<u>(315,436)</u>	<u>-</u>	<u>(315,436)</u>
Business-type activities:							
Water & sewer	241,457	249,021	-	-	-	7,564	7,564
Solid waste	57,708	65,576	-	-	-	7,868	7,868
Total business-type activities	<u>\$ 299,165</u>	<u>\$ 314,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,432</u>	<u>\$ 15,432</u>

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

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
<b>General revenues:</b>							
					\$ 99,578	\$ -	\$ 99,578
					7,091	-	7,091
					127,689	-	127,689
					252	-	252
					3,390	-	3,390
					12,392	-	12,392
					26,007	-	26,007
					12,265	-	12,265
					10,572	-	10,572
					48,682	-	48,682
					21,480	-	21,480
					1,782	1,656	3,438
					<u>371,180</u>	<u>1,656</u>	<u>372,836</u>
					<b>55,744</b>	<b>17,088</b>	<b>72,832</b>
					975,867	1,563,426	2,539,293
					<u>\$ 1,031,611</u>	<u>\$ 1,580,514</u>	<u>\$ 2,612,125</u>

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

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2022

	General Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash on hand	\$ 25	\$ -	\$ -	\$ 25
Cash and cash equivalents	528,567	49,304	20,520	598,391
Receivables:				
Taxes	106,262	-	-	106,262
Accounts - court fines (net of allowance for uncollectibles of \$44,652)	5,260	-	-	5,260
Intergovernmental	27,495	-	-	27,495
Prepaid items	7,349	-	-	7,349
<b>Total assets</b>	<b>674,958</b>	<b>49,304</b>	<b>20,520</b>	<b>\$ 744,782</b>
<b>Deferred Inflows of Resources and Fund Balances</b>				
Deferred inflows of resources				
Unavailable revenue - property taxes	104,953	-	-	104,953
Unavailable revenue - court fines	5,260	-	-	5,260
Total deferred inflows of resources	110,213	-	-	110,213
Fund balances:				
Nonspendable	7,349	-	-	7,349
Restricted for:				
Drug enforcement	-	-	9,023	9,023
ARPA	-	49,304	-	49,304
Volunteer fire	-	-	11,497	11,497
Unassigned	557,396	-	-	557,396
Total fund balances	564,745	49,304	20,520	634,569
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 674,958</b>	<b>\$ 49,304</b>	<b>\$ 20,520</b>	<b>\$ 744,782</b>

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

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
June 30, 2022

**Amounts reported for the governmental activities in the statement of net position (Page 10) are different because:**

<b>Fund balance - total governmental funds (Page 13)</b>	\$	634,569
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.		472,782
Receivables not available to pay for current expenditures and, therefore, are unavailable in the funds.		15,701
Long-term liabilities, including notes and bonds payable, are not due in the current period and, therefore, are not reported in the funds.		(91,441)
<b>Net position of governmental activities (Page 10)</b>	<b>\$</b>	<b><u>1,031,611</u></b>

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

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2022

	General Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 178,165	\$ -	\$ -	\$ 178,165
Intergovernmental	234,638	100,742	-	335,380
Fines	34,787	-	10	34,797
Other	56,477	31	15,436	71,944
<b>Total revenues</b>	<b><u>493,495</u></b>	<b><u>100,773</u></b>	<b><u>15,446</u></b>	<b><u>609,714</u></b>
<b>Expenditures:</b>				
Current:				
General government:				
General government	331,432	-	-	331,432
ARPA	-	51,469	-	51,469
Total general government	<u>331,432</u>	<u>51,469</u>	<u>-</u>	<u>382,901</u>
Public safety:				
Police	14,122	-	-	14,122
Fire	118,875	-	13,560	132,435
Total public safety	<u>132,997</u>	<u>-</u>	<u>13,560</u>	<u>146,557</u>
Public works:				
Street department	<u>157,674</u>	<u>-</u>	<u>-</u>	<u>157,674</u>
Debt service:				
Principal	6,380	-	-	6,380
Interest	4,456	-	-	4,456
Total debt service	<u>10,836</u>	<u>-</u>	<u>-</u>	<u>10,836</u>
<b>Total expenditures</b>	<b><u>632,939</u></b>	<b><u>51,469</u></b>	<b><u>13,560</u></b>	<b><u>697,968</u></b>
<b>Net changes in fund balance</b>	<b>(139,444)</b>	<b>49,304</b>	<b>1,886</b>	<b>(88,254)</b>
Fund balance - beginning	704,189	-	18,634	722,823
Fund balance - ending	<u>\$ 564,745</u>	<u>\$ 49,304</u>	<u>\$ 20,520</u>	<u>\$ 634,569</u>

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

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
June 30, 2022

Amounts reported for the governmental activities in the statement of activities (Page 11 and 12) are different because:

<b>Net change in fund balance - total governmental funds (Page 15)</b>	\$ (88,254)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	126,522
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	11,097
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any effect on net position.	<u>6,379</u>
<b>Change in net position of governmental activities (Page 12)</b>	<u><u>\$ 55,744</u></u>

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

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2022

	<u>Water and Sewer Fund</u>	<u>Solid Waste Disposal Fund</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 642,295	\$ 57,223	\$ 699,518
Receivables:			
Accounts (net of allowances for uncollectibles)	<u>20,689</u>	<u>4,131</u>	<u>24,820</u>
Total current assets	<u>662,984</u>	<u>61,354</u>	<u>724,338</u>
Capital assets:			
Land	4,828	-	4,828
Plant in operation	2,452,653	-	2,452,653
Machinery and equipment	-	17,315	17,315
Less: Accumulated depreciation	<u>(1,223,875)</u>	<u>(14,990)</u>	<u>(1,238,865)</u>
Total capital assets	<u>1,233,606</u>	<u>2,325</u>	<u>1,235,931</u>
<b>Total assets</b>	<b><u>\$ 1,896,590</u></b>	<b><u>\$ 63,679</u></b>	<b><u>\$ 1,960,269</u></b>
<b>Liabilities</b>			
Current liabilities (payable from current assets):			
Customer deposits	\$ 6,325	\$ -	\$ 6,325
Compensated absences	2,880	-	2,880
Current maturities of long-term debt	<u>8,847</u>	<u>-</u>	<u>8,847</u>
Total current liabilities (payable from current assets)	<u>18,052</u>	<u>-</u>	<u>18,052</u>
Noncurrent liabilities:			
Notes payable	<u>361,703</u>	<u>-</u>	<u>361,703</u>
<b>Total liabilities</b>	<b><u>379,755</u></b>	<b><u>-</u></b>	<b><u>379,755</u></b>
Net position:			
Net investment in capital assets	863,056	2,325	865,381
Unrestricted	<u>653,779</u>	<u>61,354</u>	<u>715,133</u>
Total net position	<u>1,516,835</u>	<u>63,679</u>	<u>1,580,514</u>
<b>Total liabilities and net position</b>	<b><u>\$ 1,896,590</u></b>	<b><u>\$ 63,679</u></b>	<b><u>\$ 1,960,269</u></b>

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

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
For the Fiscal Year Ended June 30, 2022

	Water and Sewer Fund	Solid Waste Disposal Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Operating revenues:</b>			
Charges for sales and services (net of adjustments and allowances)	\$ 247,032	\$ 65,576	\$ 312,608
Other revenue	1,989	-	1,989
Total operating revenues	<u>249,021</u>	<u>65,576</u>	<u>314,597</u>
<b>Operating expenses:</b>			
Operations expense	132,217	56,273	188,490
Maintenance expense	28,123	-	28,123
Depreciation	65,643	1,435	67,078
Total operating expenses	<u>225,983</u>	<u>57,708</u>	<u>283,691</u>
Operating income (loss)	<u>23,038</u>	<u>7,868</u>	<u>30,906</u>
<b>Nonoperating revenues (expenses):</b>			
Interest and other income	1,656	-	1,656
Interest and other expense	(15,474)	-	(15,474)
Total nonoperating revenues (expenses)	<u>(13,818)</u>	<u>-</u>	<u>(13,818)</u>
<b>Change in net position</b>	<b>9,220</b>	<b>7,868</b>	<b>17,088</b>
Total net position - beginning	1,507,615	55,811	1,563,426
Total net position - ending	<u>\$ 1,516,835</u>	<u>\$ 63,679</u>	<u>\$ 1,580,514</u>

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

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Fiscal Year Ended June 30, 2022

	Water and Sewer Fund	Solid Waste Disposal Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash flows from operating activities:</b>			
Cash received from consumers	\$ 244,588	\$ 67,621	\$ 312,209
Cash paid to suppliers of goods & services	(95,083)	(61,108)	(156,191)
Cash paid to employees for services	(68,641)	-	(68,641)
Fluctuations in interfund balances	3,555	-	3,555
Customer deposits refunded	<u>(14,828)</u>	<u>-</u>	<u>(14,828)</u>
Net cash provided (used) by operating activities	<u>69,591</u>	<u>6,513</u>	<u>76,104</u>
 <b>Cash flows from capital and related financing activities:</b>			
Principal paid on debt	(8,490)	-	(8,490)
Interest paid on bonds, notes and leases	(15,474)	-	(15,474)
Construction and acquisition of capital assets	<u>-</u>	<u>(3,760)</u>	<u>(3,760)</u>
Net cash provided (used) by capital and related financing activities	<u>(23,964)</u>	<u>(3,760)</u>	<u>(27,724)</u>
 <b>Cash flows from investing activities:</b>			
Interest and other revenues	<u>1,656</u>	<u>-</u>	<u>1,656</u>
Net cash provided (used) by investing activities	<u>\$ 1,656</u>	<u>\$ -</u>	<u>\$ 1,656</u>
 <b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 47,283</b>	<b>\$ 2,753</b>	<b>\$ 50,036</b>
 Cash and cash equivalents - beginning	<u>595,012</u>	<u>54,470</u>	<u>649,482</u>
 Cash and cash equivalents - ending	<u>642,295</u>	<u>57,223</u>	<u>699,518</u>
 Cash and cash equivalents			
Unrestricted cash and cash equivalents on deposit	<u>642,295</u>	<u>57,223</u>	<u>699,518</u>
Total cash and cash equivalents	<u>\$ 642,295</u>	<u>\$ 57,223</u>	<u>\$ 699,518</u>

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

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Fiscal Year Ended June 30, 2022

	<u>Water and Sewer Fund</u>	<u>Solid Waste Disposal Fund</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 23,038	\$ 7,868	\$ 30,906
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	65,643	1,435	67,078
Changes in assets and liabilities:			
Accounts receivable	(4,433)	2,045	(2,388)
Due from other funds	3,555	-	3,555
Compensated absences	1,765	-	1,765
Accounts payable and accrued expenses	(5,149)	(4,835)	(9,984)
Customer deposits	<u>(14,828)</u>	<u>-</u>	<u>(14,828)</u>
Net cash provided (used) by operating activities	<u>\$ 69,591</u>	<u>\$ 6,513</u>	<u>\$ 76,104</u>

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

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance-
	Original	Final		Over (Under)
<b>Revenues:</b>				
Taxes:				
Property tax current	86,872	86,872	81,395	(5,477)
Public utilities	4,200	4,200	7,427	3,227
Property taxes delinquent	7,818	7,818	4,919	(2,899)
Local sales tax	22,000	22,000	49,507	27,507
Wholesale beer tax	9,000	9,000	12,080	3,080
Business tax	9,300	9,300	12,265	2,965
	<u>139,190</u>	<u>151,190</u>	<u>178,165</u>	<u>26,975</u>
Intergovernmental:				
Federal grants	-	-	96,175	96,175
State grants	3,000	3,000	22,429	19,429
State - TVA in lieu of tax	3,000	3,000	7,091	4,091
State - sales tax	58,150	58,150	78,182	20,032
State - income tax	750	750	252	(498)
State - beer tax	200	200	312	112
State - sports betting tax	100	100	698	598
State - gas 1989 tax	-	-	1,975	1,975
State - gas 3 cent tax	-	-	3,659	3,659
State - gasoline and motor fuel tax	16,140	16,140	7,561	(8,579)
State - petroleum special fee	3,120	3,120	5,901	2,781
State - gas improve tax	5,300	5,300	6,213	913
State - police supplement	800	800	800	-
State - excise tax	5,400	5,400	3,390	(2,010)
	<u>95,960</u>	<u>95,960</u>	<u>234,638</u>	<u>138,678</u>
Fines:				
Fines - city court	9,000	9,000	23,990	14,990
Cable TV franchise fee	12,000	12,000	10,572	(1,428)
Litigation fees	-	-	225	225
	<u>21,000</u>	<u>21,000</u>	<u>34,787</u>	<u>13,787</u>
Other:				
Interest	1,100	1,100	1,751	651
Sale of property and equipment	50,010	50,010	48,682	(1,328)
Insurance checks	6,114	6,114	2,041	(4,073)
Sex offender registry	150	150	150	-
Miscellaneous	417	417	3,853	3,436
	<u>57,791</u>	<u>57,791</u>	<u>56,477</u>	<u>(1,314)</u>
Total revenues	<u>313,941</u>	<u>313,941</u>	<u>493,495</u>	<u>179,554</u>

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

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance-
	Original	Final		Over (Under)
<b>Expenditures:</b>				
Current:				
General government:				
Salary	120,395	120,395	115,176	(5,219)
Elected officials	1,600	1,600	1,450	(150)
OASI	9,210	9,210	11,537	2,327
Hospital and health insurance	10,060	10,060	8,676	(1,384)
Employee education and training	1,320	1,320	1,115	(205)
Professional fees	15,225	15,225	29,915	14,690
Publicity, subscriptions, and dues	1,500	1,500	977	(523)
Public relations	300	300	1,315	1,015
Travel	100	100	407	307
Repairs and maintenance	1,900	1,900	479	(1,421)
Equipment	500	500	311	(189)
Litigation tax	1,200	1,200	1,732	532
Office supplies	1,000	1,000	13,294	12,294
Street lighting	4,200	4,200	-	(4,200)
Bank service charges	-	-	53	53
Telephone and other communication	2,300	2,300	4,607	2,307
Insurance	35,970	35,970	24,791	(11,179)
Utility services	12,000	12,000	11,872	(128)
Capital outlay	100	100	103,725	103,625
	<u>218,880</u>	<u>218,880</u>	<u>331,432</u>	<u>112,552</u>
Elections:				
Officials	700	700	-	(700)
Total general government	<u>219,580</u>	<u>219,580</u>	<u>331,432</u>	<u>111,852</u>
Public safety:				
Police:				
Publicity, subscriptions, and dues	400	400	208	(192)
Office supplies	1,250	1,250	2,324	1,074
Professional services	1,000	1,000	4,175	3,175
Repair and maintenance	500	500	-	(500)
Sex offender registry	50	50	-	(50)
Employee education and training	100	100	23	(77)
Vehicle equipment repair	1,500	1,500	4,273	2,773
Clothing and uniforms	300	300	783	483
Firearms and ammunition	1,000	1,000	54	(946)
Gas, oil, diesel fuel, and grease	2,000	2,000	2,282	282
	<u>8,100</u>	<u>8,100</u>	<u>14,122</u>	<u>6,022</u>

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

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance-
	Original	Final		Over (Under)
Fire:				
Employee education and training	400	400	2,175	1,775
Publicity, subscriptions, and dues	100	100	481	381
Repair and maintenance	1,200	1,200	1,368	168
Office supplies	150	150	97	(53)
Professional services	50	50	6,800	6,750
Vehicle equipment repair	1,400	1,400	1,564	164
Gas, oil, diesel fuel, and grease	800	800	776	(24)
Insurance	1,300	1,300	1,206	(94)
Capital outlay	800	800	104,408	103,608
	<u>6,200</u>	<u>6,200</u>	<u>118,875</u>	<u>112,675</u>
 Total public safety	<u>14,300</u>	<u>14,300</u>	<u>132,997</u>	<u>118,697</u>
 Public works:				
Street department:				
Repair and maintenance	800	800	5,460	4,660
Small items of equipment	700	700	1,843	1,143
Street lighting	17,000	17,000	16,836	(164)
Gas, oil, diesel fuel, and grease	1,000	1,000	3,642	2,642
Signs, parts, and supplies	400	400	122	(278)
Raw materials	600	600	21	(579)
Asphalt	2,000	2,000	1,777	(223)
New paving and materials	-	-	127,973	127,973
Total public works	<u>22,500</u>	<u>22,500</u>	<u>157,674</u>	<u>135,174</u>
 Debt service:				
Principal	8,174	8,174	6,380	(1,794)
Interest	-	-	4,456	4,456
	<u>8,174</u>	<u>8,174</u>	<u>10,836</u>	<u>2,662</u>
 Total expenditures	<u>264,554</u>	<u>264,554</u>	<u>632,939</u>	<u>368,385</u>
 <b>Net changes in fund balance</b>	<b><u>\$ 49,387</u></b>	<b><u>\$ 49,387</u></b>	<b><u>(139,444)</u></b>	<b><u>\$ (188,831)</u></b>
 Fund balance - beginning			704,189	
 Fund balance - ending			<u>\$ 564,745</u>	

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

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**ARPA FUND**

For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts			Variance- Over (Under)
<b>Revenues:</b>	Original	Final	Actual	
Intergovernmental:				
Federal grants - ARPA	\$ -	\$ -	\$ 100,742	\$ 100,742
Other:				
Interest income	-	-	31	31
Total revenues	-	-	100,773	100,773
<b>Expenditures:</b>				
Current:				
Capital outlay	-	-	51,469	51,469
Total expenditures	-	-	51,469	51,469
<b>Net changes in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>49,304</b>	<b>\$ 49,304</b>
Fund balance - beginning			-	
Fund balance - ending			\$ 49,304	

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

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Hollow Rock, Tennessee (the Town) operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety (police, fire, and inspection and planning), street maintenance, sanitation, water and sewerage, solid waste disposal, and general administrative services.

The accounting policies of the Town conform to generally accepted accounting principles applicable to a government as defined in the Statements of Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies.

**A. Reporting Entity**

As required by generally accepted accounting principles, these financial statements present the entire reporting entity of the Town. Based on the criteria set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Town has no component units required to be reported.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statements of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the 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, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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.

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

**C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue

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in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. However, grant revenues are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, gross receipt taxes, sales taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (sixty days). Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and the amount is received during the period or within the availability period for this revenue source (one year). An unavailable amount is recognized for the portion of those revenues that are not available within one year of the close of the fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town 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 ARPA fund is for the activities associated with the ARPA grant. It accounts for the revenues and expenditures related to the ARPA grant.

The Town reports the following major proprietary funds:

The Water and Sewer fund accounts for the activities associated with the water distribution system and for the activities associated with the sewage treatment plant, sewage pumping stations, and collection system.

The Solid Waste fund accounts for the activities associated with the disposal of solid waste materials.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and

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contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges for sales to customers for service. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

**Deposits and Investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit and other time deposits with a term of less than three months. State statutes authorize the Town to invest in certificates of deposit, obligations of the U. S. Treasury, agencies and instrumentalities, obligations guaranteed by the U. S. Government or its agencies, repurchase agreements, and the state's investment pool.

**Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Property tax receivables are shown net of an allowance for uncollectibles. The allowance is recorded based on the past history of collections. Court fines receivable are also shown net of an allowance for uncollectibles. The allowance is recorded based on management's estimate of what portion of the outstanding receivable will be collected in the future.

The allowances for uncollectible customer accounts recorded in the proprietary funds are based on past history of uncollectible accounts and management's analysis of current accounts. Bad debts in the proprietary funds are recorded by the direct write-off method.

Property taxes are levied and the tax bills are mailed annually on October 1. The taxes are due and payable from October through February in the year succeeding the tax levy. A lien attaches by statute to property on January 1. Taxes uncollected by March 1, the year after they are due, are submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment.

**Capital Assets**

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 for buildings and infrastructure. All land, construction in progress, and works of art will be included. The water and sewer fund capitalizes all assets with an estimated useful life in excess of five years, regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Town are depreciated using the straight line method over the following useful lives:

Buildings and Infrastructure	25 - 50 years	Distribution plant	16.6 - 50 years
Land improvements	20 years	General plant	5 - 50 years
Machinery and equipment	3-10 years	Treatment plant	12.5 - 50 years

**Compensated Absences**

The Town provides vacation annually for employees with at least one year of service. However, employees must take their vacation each year; it cannot be carried over to the following year. Employees are also entitled to comp time. Employees are reimbursed for current accrued vacation in the event of termination prior to June 30.

The Town does not pay accrued sick leave upon termination.

**Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred except for the Water and Sewer Fund where they continue to be deferred and amortized over the life of the bonds.

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

**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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The items that qualify for reporting as deferred inflows of resources in the fund statements are unavailable revenue and are disclosed on pages 13 and 32. In the government-wide statements, unavailable revenue – property taxes as noted on pages 10 and 32.

**Net position flow assumption**

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption

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must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**Fund Equity**

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

***Nonspendable fund balance***

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

***Restricted fund balance***

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

***Committed fund balance***

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the Town's highest level of decision making authority, the Board of Aldermen. Commitments may be changed or lifted only by the Town taking the same formal action that imposed the constraint originally (for example: ordinance).

***Assigned fund balance***

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

***Unassigned fund balance***

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

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

***Impact of Recently Issued Pronouncements and Restatement of Beginning Balances***

In June of 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87 – Leases. This Statement improves accounting and financial reporting by state and local governments for leases and is effective for fiscal years beginning after June 15, 2021. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that

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leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This implementation resulted in no impact of the current year financial statements.

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position**

The reconciliation of the balance sheet of governmental funds to the statement of net position includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that there are "receivables not available to pay for current expenditures and, therefore, are unavailable in the funds." The details of this \$15,701 are as follows:

Unavailable revenue - property taxes	\$ 10,441
Unavailable revenues - court fines	<u>5,260</u>
Net adjustment to reduce fund balances - total governmental funds to arrive at net position of governmental activities	<u>\$ 15,701</u>

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

The reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period." The details of this \$126,522 difference are as follows:

Capital outlay meeting threshold criteria	\$ 196,391
Depreciation expense	<u>(69,869)</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 126,522</u>

Another element of that reconciliation states that "revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$11,097 difference are as follows:

Change in unavailable revenues - court fines	\$ 5,260
Change in unavailable revenues - property taxes	<u>5,837</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 11,097</u>

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. These include the general fund and the special revenue funds. The Board of Aldermen approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year-end.

The Town's policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Board of Aldermen. This policy reflects the legal level of control at which expenditures may not exceed appropriations.

As an extension of the budgetary process, the Town Aldermen may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. These amendments are made in the form of legally adopted Board approvals. The Town had no budget amendments during the year.

The Town's general fund was overbudget by \$368 thousand, the ARPA fund was overbudget by \$51 thousand, and the volunteer fire department fund was overbudget by \$610.

**NOTE 4 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

***Custodial Credit Risk***

The Town's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Town's agent in the Town's name or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Town to invest in bonds, notes, or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2022, none of the Town's deposits were exposed to custodial credit risk.

**B. Receivables**

Receivables as of the year end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

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	<u>General</u>	<u>Water and Sewer Fund</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
Receivables:				
Property taxes	\$ 106,262	\$ -	\$ -	\$ 106,262
Accounts	-	20,689	4,131	24,820
Accounts - court fines	49,912	-	-	49,912
Intergovernmental	27,495	-	-	27,495
Gross receivables	<u>183,669</u>	<u>20,689</u>	<u>4,131</u>	<u>208,489</u>
Less: Allowance for uncollectibles	<u>(44,652)</u>	<u>-</u>	<u>-</u>	<u>(44,652)</u>
Net total receivables	<u>\$ 139,017</u>	<u>\$ 20,689</u>	<u>\$ 4,131</u>	<u>\$ 163,837</u>

Governmental funds report unavailable 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, various components of unavailable revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unavailable/ Unearned</u>	<u>Total</u>
Delinquent property taxes receivable	\$ 10,441	\$ -	\$ 10,441
2022 property tax assessment	-	94,512	94,512
Court fines receivable	5,260	-	5,260
Total deferred revenue for governmental funds	<u>\$ 15,701</u>	<u>\$ 94,512</u>	<u>\$ 110,213</u>

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2022 was as follows:

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**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 28,650	\$ -	\$ -	\$ 28,650
Total capital assets, not being depreciated	<u>28,650</u>	<u>-</u>	<u>-</u>	<u>28,650</u>
Capital assets, being depreciated				
Buildings	348,258	-	-	348,258
Land improvements	75,414	-	-	75,414
Machinery and equipment	357,778	196,391	-	554,169
Total capital assets, being depreciated	<u>781,450</u>	<u>196,391</u>	<u>-</u>	<u>977,841</u>
Less accumulated depreciation for:				
Buildings	148,239	5,572	-	153,811
Land improvements	31,380	2,615	-	33,995
Other capital assets	284,221	61,682	-	345,903
Total accumulated depreciation	<u>463,840</u>	<u>69,869</u>	<u>-</u>	<u>533,709</u>
Total capital assets, being depreciated, net	<u>317,610</u>	<u>126,522</u>	<u>-</u>	<u>444,132</u>
Governmental activities capital assets, net	<u>\$ 346,260</u>	<u>\$ 126,522</u>	<u>\$ -</u>	<u>\$ 472,782</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 4,828	\$ -	\$ -	\$ 4,828
Total capital assets not being depreciated	<u>4,828</u>	<u>-</u>	<u>-</u>	<u>4,828</u>
Capital assets, being depreciated				
Water and Sewer plant in operation	2,452,653	-	-	2,452,653
Sanitation equipment	17,315	-	-	17,315
Total capital assets being depreciated	<u>2,469,968</u>	<u>-</u>	<u>-</u>	<u>2,469,968</u>
Less accumulated depreciation for:				
Water and Sewer plant in operation	1,158,232	65,643	-	1,223,875
Sanitation equipment	13,555	1,435	-	14,990
Total accumulated depreciation	<u>1,171,787</u>	<u>67,078</u>	<u>-</u>	<u>1,238,865</u>
Total capital assets, being depreciated, net	<u>1,298,181</u>	<u>(67,078)</u>	<u>-</u>	<u>1,231,103</u>
Total business-type capital assets, net	<u>1,303,009</u>	<u>(67,078)</u>	<u>-</u>	<u>1,235,931</u>
Total capital assets, net	<u>\$ 1,649,269</u>	<u>\$ 59,444</u>	<u>\$ -</u>	<u>\$ 1,708,713</u>

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

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

Governmental activities:	
General government	\$ 18,774
Public safety	47,354
Public works - street	3,741
Total depreciation expense - governmental activities	\$ 69,869
Business-type activities:	
Water and sewer	\$ 65,643
Solid waste disposal	1,435
Total depreciation expense - business-type activities	\$ 67,078
Total depreciation	\$ 136,947

**D. Long-term Debt**

Governmental Activities:

The Town has a USDA Rural Development Bond which has quarterly payments of \$1,820 and matures in 2042 at an interest rate of 4.75%. The balance outstanding as of June 30, 2022, is \$91,441.

Business-type Activities:

On March 27, 2009, the Town received a USDA water loan in the amount of \$459,000. The loan has monthly payments of \$1,997 including interest at 4.125% and matures in February 2047. The balance outstanding as of June 30, 2022, is \$370,550.

The annual requirements to amortize all long-term debt and obligations outstanding, excluding compensated absences, as of June 30, 2022, are as follows:

Year ending June 30	Principal	Interest	Total
2023	\$ 11,808	\$ 19,436	\$ 31,244
2024	12,324	18,920	31,244
2025	12,862	18,382	31,244
2026	13,424	17,820	31,244
2027	14,010	17,234	31,244
2028-2032	79,788	76,432	156,220
2033-2037	98,835	57,385	156,220
2038-2042	117,469	33,808	151,277
2043-2047	101,471	10,233	111,704
	\$ 461,991	\$ 269,650	\$ 731,641

The following is a summary of long-term debt transactions for the year ended June 30, 2022:

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Direct borrowings:					
USDA rural development	\$ 94,265	\$ -	\$ 2,824	\$ 91,441	\$ 2,961
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
Enterprise Funds:					
Direct borrowings:					
USDA rural development	\$ 379,040	\$ -	\$ 8,490	\$ 370,550	\$ 8,847

There were no compensated absences in the governmental activities in the current year. There was \$2,880 of compensated absences in the proprietary funds, however they were not considered to be long-term liabilities due to the fact that the balances are zeroed out annually.

**NOTE 5 - OTHER INFORMATION**

**A. Risk Management**

The Town is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, auto liability, errors and omissions and auto physical damage coverage. The Town joined the Tennessee Municipal League Risk Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The pool is a cooperative risk sharing arrangement that works in many ways like a traditional insurer. The Town pays annual premiums to the Pool for its general liability, auto liability, real and personal property damage, workman's compensation and errors and omissions policies. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The Town's premiums are calculated based on its prior claims history.

**B. Contingent Liabilities and Losses**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time; although, the Town's management expects such amounts, if any, to be immaterial.

**C. Subsequent Events**

Management has evaluated subsequent events through May 15, 2024, the date in which the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION SECTION**

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2022

	<b>Special Revenue Funds</b>		<b>Total Nonmajor Governmental Funds</b>
	<b>Drug</b>	<b>Volunteer Fire</b>	
<b>Assets</b>			
Cash and cash equivalents	\$ 9,023	\$ 11,497	\$ 20,520
<b>Total assets</b>	<b>9,023</b>	<b>11,497</b>	<b>20,520</b>
<b>Fund balances</b>			
Restricted for:			
Drug fund	9,023	-	9,023
Volunteer Fire	-	11,497	11,497
<b>Total fund balances</b>	<b>\$ 9,023</b>	<b>\$ 11,497</b>	<b>\$ 20,520</b>

*See independent auditor's report.*

**TOWN OF HOLLOW ROCK, TENNESSEE  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL  
 FUNDS**

For the Fiscal Year Ended June 30, 2022

	<u>Special Revenue Funds</u>		<b>Total Nonmajor Governmental Funds</b>
	<u>Drug</u>	<u>Volunteer Fire</u>	
<b>Revenues:</b>			
Fines	\$ 10	\$ -	\$ 10
Donations	-	15,436	15,436
Total revenues	<u>10</u>	<u>15,436</u>	<u>15,446</u>
<b>Expenditures:</b>			
Public safety	-	13,560	13,560
Total expenditures	<u>-</u>	<u>13,560</u>	<u>13,560</u>
<b>Net changes in fund balance</b>	<b>10</b>	<b>1,876</b>	<b>1,886</b>
Fund balance - beginning	<u>9,013</u>	<u>9,621</u>	<u>18,634</u>
Fund balance - ending	<u>\$ 9,023</u>	<u>\$ 11,497</u>	<u>\$ 20,520</u>

*See independent auditor's report.*

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL**  
**DRUG FUND**

For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts			Variance-
<b>Revenues:</b>	Original	Final	Actual	Over (Under)
Charges for services:				
Fines	\$ 1,175	\$ 1,175	\$ 10	\$ (1,165)
Total revenues	1,175	1,175	10	(1,165)
<b>Expenditures:</b>				
Current:				
Public safety:				
Police:				
Tow service	125	125	-	(125)
Advertising	30	30	-	(30)
DARE program	500	500	-	(500)
Jail fees	75	75	-	(75)
Equipment	25	25	-	(25)
Miscellaneous	25	25	-	(25)
Total expenditures	780	780	-	(780)
<b>Net changes in fund balance</b>	<b>\$ 395</b>	<b>\$ 395</b>	<b>10</b>	<b>\$ (385)</b>
Fund balance - beginning			9,013	
Fund balance - ending			\$ 9,023	

*See independent auditor's report.*

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL**  
**VOLUNTEER FIRE DEPARTMENT FUND**  
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts			Variance- Over (Under)
<b>Revenues:</b>	Original	Final	Actual	
Other:				
Donations	\$ 10,000	\$ 10,000	\$ 15,436	\$ 5,436
Total revenues	10,000	10,000	15,436	5,436
<b>Expenditures:</b>				
Current:				
Public safety:				
Volunteer Fire:				
Public relations	1,500	1,500	-	(1,500)
Fundraising	5,000	5,000	-	(5,000)
Clothing	500	500	-	(500)
Equipment	500	500	-	(500)
Machinery repair and maintenance	1,000	1,000	-	(1,000)
Fireworks	-	-	4,503	4,503
Operating supplies	200	200	4,914	4,714
Training	4,200	4,200	1,950	(2,250)
Insurance	-	-	1,493	1,493
Miscellaneous	50	50	700	650
Total public safety	12,950	12,950	13,560	610
Total expenditures	12,950	12,950	13,560	610
Excess (deficiency) of revenues over (under) expenditures	(2,950)	(2,950)	1,876	4,826
Other financing sources (uses):				
Transfers in	4,200	4,200	-	(4,200)
<b>Net changes in fund balance</b>	<b>\$ 1,250</b>	<b>\$ 1,250</b>	<b>1,876</b>	<b>\$ 626</b>
Fund balance - beginning			9,621	
Fund balance - ending			<b>\$ 11,497</b>	

*See independent auditor's report.*

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
For the Fiscal Year Ended June 30, 2022

Tax Levy for Year	Tax Rate	Tax Levy	Beginning Outstanding Taxes	Additions and Adjustments	Collections	Ending Outstanding Taxes
2021	1.49	88,500	-	94,023	87,012	7,011
2020	1.49	86,872	5,006	-	2,478	2,528
2019	1.49	76,798	1,300	-	-	1,300
2018	1.49	76,939	806	-	-	806
2017	1.49	76,846	105	-	-	105
2016	1.49	76,730	-	-	-	-
2015	1.29	69,190	-	-	-	-
2014	1.23	65,806	-	-	-	-
2013	1.23	65,911	-	-	-	-
2012	0.93	49,605	-	-	-	-
			<u>\$ 7,217</u>	<u>\$ 94,023</u>	<u>\$ 89,490</u>	<u>\$ 11,750</u>

Above balances represented as follows:

Considered current receivables	1,309
Allowance for uncollectible accounts	-
Unavailable revenue	<u>10,441</u>
	11,750
2022 tax levy not collectible until 10/1/2022	<u>94,512</u>
	106,262
Less allowance for uncollectibles	-
	<u>\$ 106,262</u>

*See independent auditor's report.*

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**SCHEDULE OF UTILITY RATES IN FORCE**  
 June 30, 2022

**Water and Sewer:**

(Based on monthly consumption)

Residential - inside city limits	\$ 30.00 Minimum \$ 4.15 per every 1,000 gallons over
Residential - outside city limits	\$ 32.00 Minimum \$ 4.15 per every 1,000 gallons over
Commercial	\$ 32.00 Minimum \$ 4.15 per every 1,000 gallons over

**Garbage Rates:**

Residential	\$15.25 flat rate
Commercial	\$18.75 flat rate
4 yard dumpster	\$135.00 flat rate

Rate Type	Number of Customers	
	2022	2021
<b>Water</b>	355	364
<b>Garbage</b>	348	352

*See independent auditor's report.*

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**SCHEDULE OF LONG-TERM DEBT -**  
**GOVERNMENTAL FUNDS**  
June 30, 2022

**Governmental Funds**

Year Ended June 30,	USDA Capital Outlay Note		Total
	Principal	Interest	
2023	\$ 2,961	\$ 4,319	\$ 7,280
2024	3,105	4,175	7,280
2025	3,256	4,024	7,280
2026	3,414	3,866	7,280
2027	3,579	3,701	7,280
2028	3,753	3,527	7,280
2029	3,935	3,345	7,280
2030	4,126	3,154	7,280
2031	4,327	2,953	7,280
2032	4,537	2,743	7,280
2033	4,757	2,523	7,280
2034	4,988	2,292	7,280
2035	5,230	2,050	7,280
2036	5,484	1,796	7,280
2037	5,750	1,530	7,280
2038	6,029	1,250	7,279
2039	6,322	958	7,280
2040	6,629	651	7,280
2041	6,951	329	7,280
2042	2,308	30	2,338
	<u>\$ 91,441</u>	<u>\$ 49,216</u>	<u>\$ 140,657</u>

*See independent auditor's report.*

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**SCHEDULE OF LONG-TERM DEBT -**  
**PROPRIETARY FUNDS**  
June 30, 2022

Proprietary Funds Year Ended June 30,	USDA		Total
	Water Note Payable		
	Principal	Interest	
2023	\$ 8,847	\$ 15,117	\$ 23,964
2024	9,219	14,745	23,964
2025	9,606	14,358	23,964
2026	10,010	13,954	23,964
2027	10,431	13,533	23,964
2028	10,869	13,095	23,964
2029	11,326	12,638	23,964
2030	11,802	12,162	23,964
2031	12,298	11,666	23,964
2032	12,815	11,149	23,964
2033	13,354	10,610	23,964
2034	13,916	10,048	23,964
2035	14,501	9,463	23,964
2036	15,110	8,854	23,964
2037	15,745	8,219	23,964
2038	16,407	7,557	23,964
2039	17,097	6,867	23,964
2040	17,816	6,148	23,964
2041	18,565	5,399	23,964
2042	19,345	4,619	23,964
2043	20,158	3,806	23,964
2044	21,006	2,958	23,964
2045	21,889	2,075	23,964
2046	22,809	1,155	23,964
2047	15,609	239	15,848
	<u>\$ 370,550</u>	<u>\$ 220,434</u>	<u>\$ 590,984</u>

*See independent auditor's report.*

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**  
June 30, 2022

Description of Indebtness	Original amount of issue	Interest rate	Date of issue	Last maturity date	Outstanding 7/1/2021	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding 6/30/2022
<b>Governmental Activities</b>									
Bonds Payable									
USDA Rural Development Bond	\$ 130,000	4.75%	October 25, 2001	October 1, 2041	\$ 94,265	\$ -	\$ 2,824	\$ -	\$ 91,441
Total Bonds Payable	<u>\$ 130,000</u>				<u>\$ 94,265</u>	<u>\$ -</u>	<u>\$ 2,824</u>	<u>\$ -</u>	<u>\$ 91,441</u>
<b>Business-Type Activities</b>									
Notes Payable									
USDA Note	\$ 459,000	4.13%	March 27, 2009	February 1, 2047	\$ 379,040	\$ -	\$ 8,490	\$ -	\$ 370,550
Total Notes Payable	<u>\$ 459,000</u>				<u>\$ 379,040</u>	<u>\$ -</u>	<u>\$ 8,490</u>	<u>\$ -</u>	<u>\$ 370,550</u>
Total Long-Term Debt					<u>\$ 473,305</u>	<u>\$ -</u>	<u>\$ 11,314</u>	<u>\$ -</u>	<u>\$ 461,991</u>

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2022

<u>Federal Grantor/Pass -Through Grantor/Program/Cluster Name</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<b>United States Department of Treasury</b>			
Passed through State of Tennessee Department of Justice Coronavirus State and Local Fiscal Recovery Funds - ARPA	21.027	unknown	\$ 100,742
<b>United States Department of Housing and Urban Development</b>			
Passed through Tennessee Department of Economic and Community Development Community Development Block Grant - Community Livability Project	14.228	33004-11921	<u>96,175</u>
<b>Total Federal Awards</b>			<b><u>\$ 196,917</u></b>

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards include the award activity of the Town under programs of the federal and state governments, respectively, for the year ended June 30, 2022. Because the schedule of expenditures of federal awards present only a selected portion of the operations of the Town, they are not intended to and do not present the financial position, statement of activities, or cash flow the Town.

**Summary of Significant Accounting Policies**

Expenditures reported on the schedule of expenditures of federal awards are reported on the modified accrual basis of accounting. Certain amounts shown on the schedule of expenditures of federal awards represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
For the Fiscal Year Ended June 30, 2022

Grantor/Program Name	Grant Number	Expenditures
<b>State of Tennessee Department of Finance and Administration</b>		
Local Direct Appropriation Grant	N/A	\$ 22,429
<b>State of Tennessee Department of Criminal Justice</b>		
Police Salary Supplement	N/A	800
 Total State Awards		\$ 23,229

**Basis of Presentation**

The accompanying schedule of state financial assistance include the award activity of the Town under programs of state governments, respectively, for the year ended June 30, 2022. Because the schedule of state financial assistance present only a selected portion of the operations of the Town, they are not intended to and do not present the financial position, statement of activities, or cash flows of the Town.

**Summary of Significant Accounting Policies**

Expenditures reported on the schedule of state financial assistance are reported on the modified accrual basis of accounting. Certain amounts shown on the schedule of state financial assistance represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

*See independent auditor's report.*

## **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***

Honorable Rob Woods, Mayor  
Members of the Board of Aldermen  
Town of Hollow Rock, 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, each major fund, and the aggregate remaining fund information of the Town of Hollow Rock, Tennessee (the Town), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 15, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* as item 2022-001.

### **Town's Response to Findings**

The Town's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*ATA, PLLC*

Jackson, Tennessee  
May 15, 2024

**TOWN OF HOLLOW ROCK, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2022

**Financial Statements Findings**

**2022-001 Expenditures in Excess of Budget (Material Weakness and Noncompliance)**

Condition: The Town had total expenditures in excess of the total budgeted for expenditures in the General fund by \$368,385, in the ARPA fund by \$51,469, and in the Volunteer Fire Department fund by \$610.

Cause: The Town failed to budget properly for grants and capital outlay activity in the general fund, did not budget for the ARPA fund, and did not budget for the fireworks purchase in the volunteer fire department fund.

Criteria: Tennessee Code Annotated Section 6-56-203 requires that municipalities expend funds in accordance with an authorized budget.

Effects: The Town had expenditures not legally appropriated by the Town Board of Mayor and Aldermen.

Recommendation: We recommend that the Town make amendments in order to include all expenditures as they are known.

Management's Response: The budget is reviewed at each board meeting to ensure expenditures are not spent in excess of the budget.

**TOWN OF HOLLOW ROCK, TENNESSEE  
SCHEDULE OF PRIOR YEAR FINDINGS**

June 30, 2022

**Financial Statements Findings**

There were no prior year findings.



# *Town of Hollow Rock*

Municipality Of The State Of Tennessee  
P.O. BOX 247 • HOLLOW ROCK, TENNESSEE 38342  
(731) 586-7775 • (731) 586-7773

## **MANAGEMENT'S CORRECTIVE ACTION PLAN**

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The Town of Hollow Rock, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2022.

Contact person: RaSha Higdon, Town Recorder

Name and address of independent public accounting firm:

ATA, PLLC  
227 Oil Well Road  
Jackson, TN 38305

Audit period:

June 30, 2022

The finding from the June 30, 2022, schedule of findings and responses are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### **2022-001 Expenditures in Excess of Budget (Material Weakness and NonCompliance)**

Person Responsible for Implementing the Correction Plan: RaSha Higdon, Town Recorder

Anticipated Completion Date: June 30, 2023

Repeat Finding: No

Planned Corrective Action: The Town is going to review the budget in comparison to actual expenditures at monthly board meetings and make amendments to the budget as deemed necessary.

Signature: \_\_\_\_\_

*Rasha Higdon*