HAMILTON COUNTY WATER &
WASTEWATER TREATMENT AUTHORITY
(A COMPONENT UNIT OF HAMILTON COUNTY, TENNESSEE)

FINANCIAL REPORT

JUNE 30, 2022

HAMILTON COUNTY WATER & WASTEWATER TREATMENT AUTHORITY

FINANCIAL REPORT
JUNE 30, 2022

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ROSTER OF THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT OFFICIALS

Dick Gee, WWTA Chair

Michael Patrick, WWTA Executive Director

Bill McGriff, WWTA Treasurer

Chambliss, Bahner & Stophel, P.C. - Attorney

Commissioner Darian Collins, Ridgeside

Commissioner Loretta Hopper, Signal Mountain

Commissioner Walker Jones, Lookout Mountain

Commissioner Alice Canella, County Appointee

Commissioner Steve Leach, East Ridge

Commissioner Doug Fisher, County Appointee

Commissioner Bobby Bishop, Lakesite

Commissioner Gene Shipley, Soddy Daisy

Commissioner Pete Phillips, Red Bank

Commissioner Jay Bell, County Appointee

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the
Hamilton County Water & Wastewater Treatment Authority
Chattanooga, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Hamilton County Water & Wastewater Treatment Authority (the "Authority"), a component unit of Hamilton County, Tennessee, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2022, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Authority 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 opinion.

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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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 Authority'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 opinion. 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 Authority'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 Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of actual to budget comparison, schedule of debt service by fiscal year, schedule of changes in long-term debt by individual issue, and schedule of expenditures of federal awards as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basis 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 schedule of actual to budget comparison, schedule of debt service by fiscal year, schedule of changes in long-term debt by individual issue, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, schedule of wastewater rates, and schedule of wastewater customers, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does 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 November 29, 2022 on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
November 29, 2022

Hamilton County Water & Wastewater Treatment Authority
(A Component Unit of Hamilton County, Tennessee)
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	27,119,388
Cash and cash equivalents - restricted		9,101,910
Receivables, net of allowance for uncollectibles:		
Accounts		5,169,358
PSLP receivable		546,995
Prepaid items		21,093
Inventory		44,938
Total current assets		42,003,682
NON-CURRENT ASSETS		
Due from Hamilton County - bond issue		11,732,772
Loan reserve - restricted		1,961,965
Total non-current assets		13,694,737
CAPITAL ASSETS		
Land		832,706
Cost of plant in service		194,264,200
Land improvements		47,857
Buildings		167,459
Machinery and equipment		3,954,110
Automobiles		2,075,545
Other assets		370,581
Construction in progress		9,759,452
Less accumulated depreciation		(66,867,736)
Capital assets, net		144,604,174
TOTAL ASSETS	$	200,302,593

See Notes to Financial Statements.

(Continued)

LIABILITIES		
CURRENT LIABILITIES		
Due to Hamilton County, Tennessee	**$**	291,577
Due to others		4,327,312
Accounts payable		2,191,297
Accrued interest		377,200
Reserve for overflow		247,571
Current portion of long-term debt		2,084,982
Current portion of advance from Hamilton County, Tennessee		590,000
Total current liabilities		10,109,939
NON-CURRENT LIABILITIES		
Long-term debt, net		18,948,003
Advance from Hamilton County, Tennessee		26,922,746
Total non-current liabilities		45,870,749
Total liabilities		55,980,688
NET POSITION		
Net investment in capital assets		107,791,215
Restricted - Private Service Lateral Program		9,648,905
Restricted - Debt service		1,961,965
Unrestricted		24,919,820
Total net position		144,321,905
TOTAL LIABILITIES AND NET POSITION	$	200,302,593

Hamilton County Water & Wastewater Treatment Authority
(A Component Unit of Hamilton County, Tennessee)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022

Operating revenues:	
Sewer revenue	$ 25,149,815
Less: Bad debt expense	(245,660)
PSLP revenue	2,828,434
Grinder pump revenue	151,600
Inspection fees	124,232
Other income	454,853
Total operating revenues	28,463,274
Operating expenses:	
Personnel costs	2,564,801
Wheelage and treatment service	9,980,082
Depreciation	4,929,862
PSLP expense	101,580
PSLP depreciation	463,320
Other operating expense	3,484,732
Total operating expenses	21,524,377
Total operating income	6,938,897
Non-operating revenues (expenses):	
Interest income	65,180
Tap on fees	615,420
Interest expense	(778,045)
PSLP interest expense	(53,472)
Loss on disposal of assets	(449)
Total non-operating revenues (expenses), net	(151,366)
Income before capital contributions	6,787,531
Capital contributions	6,310,983
Change in net position	13,098,514
Net position, beginning of year	131,223,391
Net position, end of year	$ 144,321,905

See Notes to Financial Statements.

Hamilton County Water & Wastewater Treatment Authority
(A Component Unit of Hamilton County, Tennessee)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

Cash flows from operating activities		
Cash receipts from customers	$	28,054,000
Payments to suppliers		(9,490,133)
Payments to personnel		(2,635,886)
Net cash provided by operating activities		15,927,981
Cash flows from capital and related financing activities		
Purchases of capital assets		(8,587,317)
Proceeds from long-term debt		4,845,093
Proceeds from tap on fees		615,420
Principal payments on long-term borrowings		(3,514,981)
Interest paid on long-term debt		(845,517)
Net cash used in capital and related financing activities		(7,487,302)
Cash flows from investing activities		
Interest received		65,180
Net cash provided by investing activities		65,180
Net change in cash and cash equivalents		8,505,859
Cash and cash equivalents:		
Beginning of year		27,715,439
End of year	$	36,221,298
Classified as:		
Unrestricted cash and cash equivalents	$	27,119,388
Restricted cash and cash equivalents		9,101,910
	$	36,221,298

Hamilton County Water & Wastewater Treatment Authority
(A Component Unit of Hamilton County, Tennessee)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$	6,938,897
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		5,393,182
Amortization		(330,489)
Changes in assets and liabilities:		
Increase in accounts receivable		(389,005)
Increase in PSLP receivable- restricted		(20,269)
Increase in prepaid expenses		(4,903)
Decrease in inventory		23,460
Increase in amounts due to others		3,167,347
Increase in accounts payable		1,119,761
Increase in reserve for overflow		30,000
Net cash provided by operating activities	$	15,927,981
NONCASH INVESTING ACTIVITIES		
Capital contributions of wastewater treatment capital assets	$	6,310,983

See Notes to Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and procedures followed by the Authority are as follows:

A. REPORTING ENTITY

Hamilton County Water & Wastewater Treatment Authority (the "Authority"), a component unit of Hamilton County, Tennessee, is legally separate from the County, but the County is considered to be financially accountable for the Authority. The Authority is organized under the Water and Wastewater Treatment Authority Act of the State of Tennessee. The Authority began operations on July 1, 1994, for the purpose of providing wastewater treatment service to residents of unincorporated areas of Hamilton County, Tennessee. Under the Act, Hamilton County is authorized to form the Authority, and other local governments in Hamilton County may join the Authority at their discretion. As of June 30, 2022, Hamilton County, the City of Lakesite, the City of Ridgeside, the City of Soddy Daisy, the City of East Ridge, the Town of Signal Mountain, the City of Red Bank and the Town of Lookout Mountain are the only participating governments. The governing body of the Authority is the Board of Commissioners consisting of five individuals appointed by the executive officer of Hamilton County and approved by the County's Board of Commissioners. The County's Board of Commissioners does not approve the Authority's budget, but the County does finance debt for the Authority's capital projects at its discretion. The Authority's Board of Commissioners has final decision-making authority for the entity.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF FINANCIAL STATEMENT PRESENTATION

The accounting policies of the Authority conform to the generally accepted accounting principles applicable to governmental entities. The more significant accounting policies of the Authority are summarized as follows:

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the cash flows.

REVENUES - Revenues from water treatment services are recognized when the related water treatment charges are billed by the respective water utility.

Meter and service line tap fees are recognized as revenue when cash is received and the costs of installing the meters and service lines are recognized as expenses when services are provided.

Private service lateral program ("PSLP") fees are recognized when the related water treatment charges are billed by the respective water utility.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF FINANCIAL STATEMENT PRESENTATION - continued

NET POSITION - The Authority has adopted the provisions of GASB 34, *Proprietary Fund Accounting and Financial Reporting*, as amended by GASB 63, *Reporting Outflows, Deferred Inflows, and Net Position*, which establishes standards for external financial reporting and disclosure for all state and local governmental entities, which include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. Statement 34 requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings and liabilities including long-term advances from the primary government that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- Restricted Net Position - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Authority's policy is generally to use any unrestricted assets first, as appropriate opportunities arise.

- Unrestricted Net Position - This component of net position consists of net position that do not meet the definition of restricted or net investment in capital assets. While management may have categorized and segmented portions for various purposes, the Authority has the unrestricted authority to revisit or alter these managerial decisions.

BUDGETS - The Authority adopts an annual budget on or before July 1 of each year and operates under an annual budget. The budget is prepared on the same basis of accounting as the fund financial statements. The budget presents a financial plan for the ensuing fiscal year. The budget and plan are in accordance with such guidelines as may be required by law, or adopted by the Board, from time to time. The budget is monitored on a monthly basis by the management of the Authority.

CASH AND CASH EQUIVALENTS - The Authority considers all highly liquid investments with original maturities of three months or less to be cash or cash equivalents. These include cash on hand, amounts held in bank accounts and certificates of deposit. The Authority maintains cash and cash equivalent accounts with individual financial institutions which may exceed federally insured amounts at times and which may at times significantly exceed statement of net asset amounts due to outstanding checks. The financial institutions are members of the Tennessee State Collateral Pool.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF FINANCIAL STATEMENT PRESENTATION - continued

PREPAID ITEMS – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

INVENTORY - Inventory is valued at the lower of cost, which is determined using the first-in, first-out method, or market. Inventory consists of numerous grinder pumps. The costs are recognized as expenses at the time individual inventory items are consumed.

BOND PREMIUM, DISCOUNTS AND REACQUISITION PRICE DIFFERENCES - Bond premiums and discounts are stated at unamortized cost and are being amortized over the life of the bonds using the effective interest method. In the event of a bond refunding, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow or inflow of resources and amortized over the life of the bond. Amortization expense related to bond premium was $330,489 in 2022.

RESTRICTED ASSETS - Restricted assets consist of cash and cash equivalents, private service lateral program (PSLP) receivables and other assets. These assets are to be used for projects as specified by the Board and for purposes specified in the 1996 Tennessee Local Development Authority Sewer Treatment Water Works loan.

CAPITAL ASSETS - Capital assets include land, plant and equipment, and furniture and fixtures reported at cost less accumulated depreciation. The costs for assets contributed to the Authority from Hamilton County were recorded based on Hamilton County Engineering Department's estimate of the acquisition value. Capital assets received from the City of Soddy Daisy, City of East Ridge, Town of Signal Mountain and City of Red Bank were recorded based on the cost of the assets to the cities less accumulated depreciation through the date of transfer. Purchased and constructed assets are recorded at historical cost. Donated capital assets are recorded at estimated acquisition value at the date of donation. Expenditures for additions, improvements, replacements, betterments and major renewals are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

DEPRECIATION - Depreciation is provided using the straight-line method over the estimated useful lives of the depreciable assets. The estimated useful life of the sewer system contributed by governmental entities is based upon estimates established by the engineering department of the transferring entity or the remaining life of the assets at the time of the contribution.

Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Sewer line	40 years
Lateral service line	40 years
Land and building improvements	25 – 40 years
Machinery and equipment	5 – 10 years
Automobiles	5 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF FINANCIAL STATEMENT PRESENTATION - continued

PRODUCT WARRANTIES - The Authority sells grinder pumps to customers together with conditional repair or replacement warranties. The accompanying 2022 financial statements include estimated warranty claims, based on the Authority's claims experience. Provisions for warranty costs are recognized in the same period as the related revenue. It is reasonably possible that future warranty losses could differ materially from management's current estimates.

INCOME TAXES - The Authority is exempt from federal and state income taxes under current statutes.

CAPITIALIZED INTEREST – The Authority implemented GASB 89 *Accounting for Interest Cost Incurred before the End of Construction* Period as of July 1, 2018, and no longer capitalizes interest costs related to construction.

ESTIMATES AND UNCERTAINTIES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows and inflows of resources, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

OPERATING AND NONOPERATING REVENUES - Operating revenues and expenses reported in the Authority's financial statements include activities related to the primary, continuing operations of the Authority. Other revenues are classified as non-operating in the financial statements.

NOTE 2 - FORMATION AND OPERATION OF THE AUTHORITY

In accordance with the Water and Wastewater Treatment Authority Act, the Authority began operations on July 1, 1994. To establish the Authority, Hamilton County contributed wastewater facilities. The City of Soddy Daisy joined the Authority on January 1, 1995, the City of East Ridge joined the Authority on November 1, 2001, the Town of Signal Mountain joined the Authority on September 1, 2002, and the City of Red Bank joined the Authority on November 1, 2003. All municipalities contributed wastewater facilities to the Authority.

The amounts initially contributed to the Authority were as follows:

Hamilton County	$ 4,526,376
City of Soddy Daisy	1,956,691
City of East Ridge	6,984,098
Town of Signal Mountain	3,298,973
City of Red Bank	4,893,397
	$21,659,535

NOTE 2 - FORMATION AND OPERATION OF THE AUTHORITY – continued

At the time the City of Soddy Daisy joined the Authority, bonds payable of $299,308 were assumed by the Authority. At the time the City of East Ridge joined the Authority, bonds payable of $1,384,029 were assumed by the Authority. At the time the Town of Signal Mountain joined the Authority, the Town agreed to pay all current outstanding bonds, grants or loans obtained for improvements of any facilities transferred to the Authority based upon available funds within the fiscal years 2003 through 2005. At the time the City of Red Bank joined the Authority, bonds payable of $12,782,940 were assumed by the Authority.

There were no amounts contributed from the Town of Lookout Mountain at the time the Town joined the Authority.

Currently, the Authority has no employees and reimburses Hamilton County for personnel cost and insurance coverage related to the operation of the facilities.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30, 2022:

Trade receivables	$	5,207,426
Less: Allowance for doubtful accounts		(38,068)
Net trade receivables	$	5,169,358
PSLP receivables	$	552,683
Less: Allowance for doubtful accounts		(5,688)
Net PSLP receivables	$	546,995

The Authority performs ongoing credit evaluations of its customers' financial condition but does not require collateral to support receivables. The Authority has determined that an allowance for doubtful accounts for accounts receivable be established as of June 30, 2022. All accounts or portions thereof considered uncollectible prior to June 30, 2022 were written off to bad debt expense.

NOTE 4 - RESTRICTED NET POSITION

The Authority's restricted net position as of June 30, 2022 consist of the following:

Cash and cash equivalents – Private Lateral Service Program	$ 9,101,910
State Revolving Loan Fund unapplied reserve	1,961,965
Receivable – Private Lateral Service Program	546,995
Total	$ 11,610,870

NOTE 5 - DUE TO HAMILTON COUNTY, TENNESSEE

The amounts due to Hamilton County, Tennessee, as of June 30, 2022 totaled $291,577. The amounts represent operating expenses incurred by the Authority which are reimbursed to Hamilton County, Tennessee, on a monthly basis.

NOTE 6 - DUE TO OTHERS

The amount due to other governments represents amounts owed to the City of Chattanooga ($4,196,585), the City of Collegedale ($49,294) for wheelage and treatment expenses, Electric Power Board for billings ($56,136), amounts owed to ENCO ($21,671) for utility billing services, as well as miscellaneous amounts owed to other governments ($3,626) as of June 30, 2022, in the total amount of $4,327,312.

NOTE 7 - CAPITAL ASSETS

A summary of the changes in capital assets for the year ended June 30, 2022, is as follows:

	Beginning Balance	Increases	Retirements	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 351,416	$ 481,290	$ -	$ -	$ 832,706
Construction in progress	4,353,631	6,803,481	-	(1,397,660)	9,759,452
Total capital assets, not being depreciated	4,705,047	7,284,771	-	(1,397,660)	10,592,158
Capital assets, being depreciated:					
Cost of plant in service	186,037,723	6,940,092	-	1,286,385	194,264,200
Land improvements	27,217	20,640	-	-	47,857
Buildings	167,459	-	-	-	167,459
Machinery and equipment	3,333,345	520,544	(11,054)	111,275	3,954,110
Software	313,506	57,075	-	-	370,581
Automobiles	2,000,367	75,178	-	-	2,075,545
Total	191,879,617	7,613,529	(11,054)	1,397,660	200,879,752
Less accumulated depreciation for:					
Cost of plant in service	(57,390,068)	(4,830,657)	-	-	(62,220,725)
Land improvements	(9,461)	(1,825)	-	-	(11,286)
Buildings	(97,811)	(6,562)	-	-	(104,373)
Machinery and equipment	(2,150,415)	(423,261)	10,605	-	(2,563,071)
Software	(155,189)	(6,861)	-	-	(162,050)
Automobiles	(1,682,215)	(124,016)	-	-	(1,806,231)
Total	(61,485,159)	(5,393,182)	10,605	-	(66,867,736)
Total capital assets, being depreciated, net	130,394,458	2,220,347	(449)	1,397,660	134,012,016
Total capital assets, net	$ 135,099,505	$ 9,505,118	$ (449)	$ -	$ 144,604,174

NOTE 8 - LONG-TERM DEBT

Hamilton County
General Obligation Bonds for Hamilton County Government
Hamilton County and the Authority jointly issued $6,500,000 of Hamilton County General Obligation Bonds in 1995. The bonds were refunded by issuance of 1998B Bonds. The 1998B Bonds bear interest at varying rates from 3.25% to 5.0% and are to be repaid by Hamilton County through 2024. The bonds were issued to finance the design and construction of various wastewater projects undertaken by the Authority. The joint bond issue is recorded on the records of Hamilton County, Tennessee. Repayment is to be made first through the use of Hamilton County privilege tax and secondly through other taxes to be levied against Hamilton County property owners. If such levy is not sufficient, the Authority will use operating revenues, after paying current expenses and other future bond principal and interest, to service the debt.

On September 24, 2020, Hamilton County and the Authority jointly issued $17,085,769 bond, Series 2020A Bond, with a coupon rate of 4%-5%. Payments will begin January 1, 2022 and will mature on January 1, 2051. A portion of the proceeds $17,085,769 (including a $3,015,769 bond premium and after payment of $85,769 in issuance costs and underwriters fees) will be used to finance the costs of designing, acquiring, constructing, equipping and furnishing water and sewerage facility projects. The remaining net proceeds of $4,903,507 (including a $958,507 premium and after payment of $21,607 in issuance costs and underwriters fees) were deposited with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2011 Series bonds are considered to be defeased and the liability for those bonds has been removed from the statements of net position. As of June 30, 2022 the Authority's outstanding share of the 2020A bonds was $17,455,000.

Other Direct Borrowings from the State of Tennessee Revolving Loan Fund
On June 6, 2012, the Authority finalized an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to provide financing of the SLP program. The funding sources consist of $6,000,000 from the State Revolving Fund Loan bearing interest at 1.54% with $1,200,000 subject to principal forgiveness. The principal and interest payments are payable in monthly installments through April 2036. The principal balance as of June 30, 2022 was $2,309,723.

On June 25, 2013, the Authority finalized an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to provide financing of the SLP Program. The funding sources consist of $4,000,000 from the State Revolving Fund Loan bearing interest at 1.10% with $400,000 subject to principal forgiveness. The principal and interest payments are payable in monthly installments through February 2038. The principal balance as of June 30, 2022 was $1,207,508.

On January 25, 2018, the Authority finalized an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to provide financing for Project 16-317, the purpose of which is the assessment and rehabilitation of East Ridge Wastewater Facilities. The funding sources consist of $7,310,000 from the State Revolving Fund Loan bearing interest at 1.74%. The principal and interest payments are payable in monthly installments through June 2041. The principal balance as of June 30, 2022 was $6,652,009.

NOTE 8 - LONG-TERM DEBT – continued

Other Direct Borrowings from the State of Tennessee Revolving Loan Fund – continued
On January 25, 2018, the Authority finalized an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to provide financing for Project 17-307, the purpose of which is sanitary sewer evaluation studies in Red Bank, Signal Mountain, and unincorporated Hamilton County. The funding sources consist of $1,560,000 from the State Revolving Fund Loan bearing interest at 0.82%. Principal and interest payments are payable in monthly installments through March 2025. The principal balance as of June 30, 2022 was $865,905

On November 26, 2018, the Authority finalized an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to provide financing for Project 17-316, the purpose of which is financing of the assessment and rehabilitation of Lookout Mountain Sanitary Sewer. The funding sources consist of $3,000,000 from the State Revolving Fund Loan bearing interest at 2.89%, with $300,000 subject to principal forgiveness. The principal and interest payments are payable in monthly installments through October 2040. The principal balance as of June 30, 2022 was $2,523,492.

On November 26, 2018, the Authority finalized an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to provide financing for Project 17-316, the purpose of which is financing of the assessment and rehabilitation of Lookout Mountain Sanitary Sewer. The funding sources consist of $2,474,000 from the State Revolving Fund Loan bearing interest at 2.35%. The loan is paid interest only until all authorized funding is dispensed. Interest payments are payable monthly. The principal balance as of June 30, 2022 was $979,329.

On May 31, 2022, the Authority finalized an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to provide financing for Project 21-354, the purpose of which is financing of the assessment and rehabilitation of wastewater facilities in Signal Mountain. The funding sources consist of $500,000 from the State Revolving Fund Loan bearing interest at 0.79%. The loan is paid interest only until all authorized funding is dispensed. Interest payments are payable monthly. As of June 30, 2022, the Authority has not made any draws against the loan.

On May 31, 2022, the Authority finalized an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to provide financing for Project 21-345, the purpose of which is financing of the assessment and rehabilitation of wastewater facilities in Signal Mountain (Basins 2, 3, and 7). The funding sources consist of $350,000 from the State Revolving Fund Loan bearing interest at 0.79%. The loan is paid interest only until all authorized funding is dispensed. Interest payments are payable monthly. As of June 30, 2022, the Authority has not made any draws against the loan.

On May 31, 2022, the Authority finalized an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to provide financing for Project 21-346, the purpose of which is financing of assessment and rehabilitation of wastewater facilities in Signal Mountain (Basin 5). The funding sources consist of $150,000 from the State Revolving Fund Loan bearing interest at 0.79%. The loan is paid interest only until all authorized funding is dispensed. Interest payments are payable monthly. As of June 30, 2022, the Authority has not made any draws against the loan.

NOTE 8 - LONG-TERM DEBT - continued

Other Direct Borrowings from the State of Tennessee Revolving Loan Fund – continued

On May 31, 2022, the Authority finalized an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to provide financing for Project 21-349, the purpose of which is financing of the assessment and rehabilitation of wastewater facilities in Soddy Daisy (Basins 1, 2, 3, and 4A). The funding sources consist of $587,000 from the State Revolving Fund Loan bearing interest at 0.79%. The loan is paid interest only until all authorized funding is dispensed. Interest payments are payable monthly. As of June 30, 2022, the Authority has not made any draws against the loan.

On May 31, 2022, the Authority finalized an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to provide financing in Project 21-338, the purpose of which is financing of the planning and design of rehabilitation of wastewater facilities in Red Bank (Basins 5, 6, and 7). The funding sources consist of $276,670 from the State Revolving Fund Loan bearing interest at 0.79%. The loan is paid interest only until all authorized funding is dispensed. Interest payments are payable monthly. As of June 30, 2022, the Authority has not made any draws against the loan.

On January 21, 2020, the Authority finalized an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to provide financing for Project 18-323 / 18-326, the purpose of which is financing of the assessment and rehabilitation of the East Ridge Basin 3C/4B. The funding sources consist of $10,671,200 from the State Revolving Fund Loan bearing interest at 1.47%. The loan is paid interest only until all authorized funding is dispensed. Interest payments are payable monthly. The principal balance as of June 30, 2022 was $1,605,514.

Each of the agreements associated with the direct borrowings from the State of Tennessee Revolving Loan Fund contains provisions allowing the lender to terminate the loan agreement and declare all unpaid principal and interest to be immediately due and payable upon the event of default by the Authority. Such events of default include failure of the Authority to pay the required monthly debt service obligations or to cure any breach of any covenant or representation of the Authority contained in the agreement within 60 days from receipt of notice of such breach.

Direct Placement Debt - Revenue Refund Bond Series 2020
On October 15, 2020, the Authority issued $6,750,434 of Revenue Refunding Bond Series 2020, with an interest rate of 1.77% payable through August 2026. The principal and interest payments of $101,587 are payable in monthly installments. The net proceeds after $76,750 of issuance costs were used to pay $6,673,683 of the note with First Tennessee Bank and advance refund $6,679,946 of outstanding Series 2011 Bonds. The Authority has a remaining debt obligation on these bonds of $4,889,505 as of June 30, 2022.

The terms of the direct placement bond agreement state that all outstanding balances due under the revenue bond shall become immediately due in the event that the Authority fails to pay the required monthly debt service obligations or to cure any breach of any covenant or representation of the Authority contained in the agreement within 30 days from receipt of notice of such breach.

NOTE 8 - LONG-TERM DEBT - continued

A summary of the changes in long-term debt for the year ended June 30, 2022, is as follows:

	Original Issuance Amount	Interest Rate(s)	Date of Issuance	Final Maturity Date	June 30, 2021	Additions	Deductions	June 30, 2022	Amount Due in One Year
Direct borrowings:									
Advances from Hamilton County									
$6.5 million bond, 1998B bonds	$ 6,500,000	3.25% - 5.00%	3/1/1998	County call	$ 6,500,000	$ -	$ -	$ 6,500,000	$ -
$18 million bond, 2020A series	18,015,000	4%-5%	9/24/2020	1/1/2051	18,015,000	-	560,000	17,455,000	590,000
Premium on Series 2020A bonds					3,888,235	-	330,489	3,557,746	-
Total advances from Hamilton County	24,515,000				28,403,235	-	890,489	27,512,746	590,000
Installment Financings									
Collegedale bond payable 98-114	439,233	2.57%	6/11/1998	7/30/2021	2,334	-	2,334	-	-
State of Tennessee Revolving Fund - SLP - 12-298	6,000,000	1.54%	6/6/2012	4/20/2036	2,458,403	-	148,680	2,309,723	150,984
State of Tennessee Revolving Fund - SLP -13-323	4,000,000	1.10%	6/25/2013	2/20/2038	1,277,995	-	70,487	1,207,508	71,268
State of Tennessee Revolving Fund - 17-393	7,310,000	1.74%	1/25/2018	6/20/2041	6,944,905	-	292,896	6,652,009	298,032
State of Tennessee Revolving Fund -18-413	1,560,000	0.82%	1/25/2018	3/20/2025	1,175,973	-	310,068	865,905	312,624
State of Tennessee Revolving Fund -19-424	3,000,000	2.89%	11/26/2018	10/20/2040	2,632,344	-	108,852	2,523,492	111,444
State of Tennessee Revolving Fund -19-425	2,474,000	2.35%	11/26/2018	N/A	979,329	-	-	979,329	-
State of Tennessee Revolving Fund -20-443	10,671,200	1.47%	1/21/2020	N/A	290,424	1,315,090	-	1,605,514	-
Direct Placements:									
Installment Financings									
Revenue Bond Series 2019	20,000,000	1.02%	10/3/2019	9/30/2021	901,305	-	901,305	-	-
Revenue Refunding Bond Series 2020	6,750,434	1.77%	10/15/2020	8/1/2026	6,009,864	-	1,120,359	4,889,505	1,140,630
Total installment financing	62,204,867				22,672,876	1,315,090	2,954,981	21,032,985	2,084,982
Total long-term debt	$ 86,719,867				$ 51,076,111	$ 1,315,090	$ 3,845,470	$ 48,545,731	$ 2,674,982

NOTE 8 - LONG-TERM DEBT - continued

Debt service requirements for the advances from Hamilton County for the years subsequent to June 30, 2022, are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2023	$ 590,000	$ 754,400	$ 1,344,400
2024	615,000	724,900	1,339,900
2025	650,000	694,150	1,344,150
2026	680,000	661,650	1,341,650
2027	715,000	627,650	1,342,650
2028-2032	3,425,000	2,580,550	6,005,550
2033-2037	2,110,000	1,993,800	4,103,800
2038-2042	2,565,000	1,537,000	4,102,000
2043-2047	3,125,000	981,000	4,106,000
2048-2052	2,980,000	304,000	3,284,000
Total	$ 17,455,000	$ 10,859,100	$ 28,314,100

The debt service requirement schedule above does not include any payments on the $6,500,000 advance from Hamilton County. Currently, there is no debt service requirement for the repayment of the advance.

Debt service requirements for the installment financings for the years subsequent to June 30, 2022, are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2023	$ 2,084,982	$ 313,804	$ 2,398,786
2024	2,119,046	278,972	2,398,018
2025	2,074,308	243,320	2,317,628
2026	1,869,011	209,088	2,078,099
2027	878,760	182,023	1,060,783
2028-2032	3,566,568	717,684	4,284,252
2033-2037	3,671,975	380,973	4,052,948
2038-2042	2,183,492	82,794	2,266,286
Total	$ 18,448,142	$ 2,408,657	$ 20,856,799

The debt service requirement schedule above does not include any payments on the revolving loans 19-425 and 20-443. Currently, there is no debt service requirement for the repayment of the revolving loans as they are still being drawn upon.

NOTE 9 - CREDIT RISK

Custodian credit risk - The Authority's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Authority's agent in the Authority's name or by the Federal Reserve Banks acting as third-party agents. The statutes also authorize the type of investments in which the Authority can participate. The Authority may invest in any instruments which are in accordance with applicable laws, including, but not limited to, the following: certificates of deposit and savings accounts in banks and savings and loan institutions; Tennessee Valley Authority Bonds; bonds, notes or treasury bills of the United States; Federal Land Bank bonds; Federal Home Loan Bank notes and bonds; Federal National Mortgage Association notes and debentures, banks for cooperative debentures, or any of its other agencies, or obligations guaranteed as to principal and interest by the United States; the pooled investment fund of the State of Tennessee; or repurchase agreements.

NOTE 10 - RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

Because the Authority has contracted with the primary governmental unit, Hamilton County, for employee services, such employees are insured by the primary government; therefore, no risks associated with financing and insurance-related activities exist. Hamilton County has signed an agreement assuming all claims and losses resulting from actions of its employees and indemnifies the Authority for any such losses and expenses.

NOTE 11 - INSURANCE FOR OFFICERS AND DIRECTORS

The Authority maintains insurance for officers and directors to a $3,000,000 limit with $15,000 deductible and a $15,000 EPLI deductible. The cost for the year ended June 30, 2022 totaled $22,839.

NOTE 12 – CONSTRUCTION COMMITMENTS

The Authority is expected to sign a consent decree with the Environmental Protection Agency (EPA) which will obligate the Authority to make improvements to the wastewater system to ensure compliance with the Clean Water Act. The Authority's estimated outlays for these projects were estimated to be approximately $250,000,000 as of June 30, 2022.

SUPPLEMENTARY SCHEDULES

Hamilton County Water & Wastewater Treatment Authority
(A Component Unit of Hamilton County, Tennessee)
SCHEDULE OF ACTUAL TO BUDGET COMPARISON
YEAR ENDED JUNE 30, 2022

	2022 Actual	2022 Budget	Variance	% Variance Favorable (Unfavorable)
Operating revenues:				
Sewer revenues	$ 24,904,155	$ 24,075,630	$ 828,525	3%
PSLP revenue	2,828,434	2,815,368	13,066	0%
Grinder pump revenue	151,600	108,438	43,162	40%
Inspection fees	124,232	93,500	30,732	33%
Other income	454,853	446,000	8,853	2%
Total operating revenues	28,463,274	27,538,936	924,338	3%
PSLP expense	101,580	137,434	35,854	26%
Operating expense	16,029,615	21,580,436	5,550,821	26%
Depreciation	5,393,182	5,503,700	110,518	2%
Total operating income	6,938,897	317,366	6,621,531	2086%
Nonoperating revenues (expenses)				
Interest income	65,180	49,200	15,980	32%
Tap on fees	615,420	500,000	115,420	23%
Interest expense	(831,517)	(1,068,242)	236,725	22%
Loss on sale of assets	(449)	-	(449)	-100%
Total nonoperating revenues (expenses)	(151,366)	(519,042)	367,676	-71%
Capital contributions	6,310,983	3,731,665	2,579,318	69%
Change in net position	$ 13,098,514	$ 3,529,989	$ 9,568,525	271%

Hamilton County Water & Wastewater Treatment Authority
(A Component Unit of Hamilton County, Tennessee)
SCHEDULE OF ACTUAL TO BUDGET COMPARISON
YEAR ENDED JUNE 30, 2022

	2022 Actual	2022 Budget	Variance	% Variance Favorable (Unfavorable)
PSLP and Operating expenses (less depreciation)				
Personnel costs	$ 2,562,489	$ 3,315,200	$ 752,711	23%
Uniform expense	2,312	8,000	5,688	71%
Wheelage and treatment	9,980,082	11,845,000	1,864,918	16%
Travel, training and meetings	7,222	25,000	17,778	71%
Repairs and maintenance	451,522	2,193,910	1,742,388	79%
Auto expense	183,309	161,800	(21,509)	-13%
Telephone	36,546	42,000	5,454	13%
Electricity	397,252	287,200	(110,052)	-38%
Natural gas	2,356	1,800	(556)	-31%
Water	25,439	24,000	(1,439)	-6%
Sewer fees	307	360	53	15%
Water quality fees	1,337	-	(1,337)	100%
Sludge hauling	87,726	90,600	2,874	3%
TN one call system	18,113	18,000	(113)	-1%
Flow monitoring	386,270	450,000	63,730	14%
Cost of grinder pumps	164,340	130,555	(33,785)	-26%
Inspection expenses	93,639	266,120	172,481	65%
Engineering studies	(52,175)	200,000	252,175	126%
Permits	8,490	9,970	1,480	15%
Recording fee for easements	951	900	(51)	-6%
Odor control	347,236	290,950	(56,286)	-19%
D&O insurance	22,839	21,020	(1,819)	-9%
Property insurance	26,269	22,620	(3,649)	-16%
Operating - miscellaneous	100	500	400	80%
Office expense	42,381	44,777	2,396	5%
Postage	1,076	1,700	624	37%
Parking	8,437	7,900	(537)	-7%
Office rent	35,447	30,000	(5,447)	-18%
Advertising	5,667	7,100	1,433	20%
Board meetings	5,387	11,600	6,213	54%
Credential/Membership fees	21,265	22,775	1,510	7%
Legal services	108,921	200,000	91,079	46%
Accounting and auditing	32,500	35,000	2,500	7%
Other professional services	36,309	44,050	7,741	18%
Billing expense	464,133	508,150	44,017	9%
Collections expense	2,088	3,000	912	30%
Strategic communication	20,000	20,000	-	0%
Program Mgmt Engineering/CD	403,194	350,000	(53,194)	-15%
Settlement claims	45,947	830,000	784,053	94%
Bank charges	11,452	13,225	1,773	13%
TAW shut on/off	31,440	45,000	13,560	30%
Amortization - bond issue	-	654	654	100%
PSLP expense:				
Personnel costs	71,085	74,568	3,483	5%
Repairs and maintenance	18,768	50,500	31,732	63%
Telephone	513	516	3	1%
TN one call system	1,237	1,500	263	18%
Office expense	5,750	6,300	550	9%
Other professional services	4,227	4,050	(177)	-4%
Total operating expenses	$ 16,131,195	$ 21,717,870	$ 5,586,675	26%

Hamilton County Water & Wastewater Treatment Authority
(A Component Unit of Hamilton County, Tennessee)
SCHEDULE OF DEBT SERVICE BY FISCAL YEAR
YEAR ENDED JUNE 30, 2022

	Advances from Hamilton County		Installment Financing	
June 30 Year Ended	Principal	Interest	Principal	Interest
2023	$ 590,000	$ 754,400	$ 2,084,982	$ 313,804
2024	615,000	724,900	2,119,046	278,972
2025	650,000	694,150	2,074,308	243,320
2026	680,000	661,650	1,869,011	209,088
2027	715,000	627,650	878,760	182,023
2028	755,000	591,900	688,788	169,188
2029	785,000	554,150	700,836	156,588
2030	830,000	514,900	713,088	143,772
2031	680,000	473,400	725,568	130,728
2032	375,000	446,200	738,288	117,408
2033	390,000	431,200	751,212	103,896
2034	405,000	415,600	764,400	90,108
2035	420,000	399,400	777,828	76,056
2036	440,000	382,600	760,439	61,785
2037	455,000	365,000	618,096	49,128
2038	475,000	346,800	596,995	37,373
2039	490,000	327,800	555,876	26,148
2040	510,000	308,200	566,628	14,952
2041	535,000	287,800	463,993	4,321
2042	555,000	266,400	$ 18,448,142	$ 2,408,658
2043	575,000	244,200		
2044	600,000	221,200		
2045	625,000	197,200		
2046	650,000	172,200		
2047	675,000	146,200		
2048	700,000	119,200		
2049	730,000	91,200		
2050	760,000	62,000		
2051	790,000	31,600		
	$ 17,455,000	$ 10,859,100		

Hamilton County Water & Wastewater Treatment Authority
(A Component Unit of Hamilton County, Tennessee)
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
YEAR ENDED JUNE 30, 2022

	Original Issuance Amount	Interest Rate(s)	Date of Issuance	Final Maturity Date	June 30, 2021	Additions	Deductions	June 30, 2022	Amount Due in One Year
Direct borrowings:									
Advances from Hamilton County									
$6.5 million bond, 1998B bonds	$ 6,500,000	3.25% - 5.00%	3/1/1998	County call	$ 6,500,000	$ -	$ -	$ 6,500,000	$ -
$18 million bond, 2020A series	18,015,000	4%-5%	9/24/2020	1/1/2051	18,015,000	-	560,000	17,455,000	590,000
Premium on Series 2020A bonds					3,888,235	-	330,489	3,557,746	-
Total advances from Hamilton County	24,515,000				28,403,235	-	890,489	27,512,746	590,000
Installment Financings									
Collegedale bond payable 98-114	439,233	2.57%	6/11/1998	7/30/2021	2,334	-	2,334	-	-
State of Tennessee Revolving Fund - SLP - 12-298	6,000,000	1.54%	6/6/2012	4/20/2036	2,458,403	-	148,680	2,309,723	150,984
State of Tennessee Revolving Fund - SLP -13-323	4,000,000	1.10%	6/25/2013	2/20/2038	1,277,995	-	70,487	1,207,508	71,268
State of Tennessee Revolving Fund - 17-393	7,310,000	1.74%	1/25/2018	6/20/2041	6,944,905	-	292,896	6,652,009	298,032
State of Tennessee Revolving Fund -18-413	1,560,000	0.82%	1/25/2018	3/20/2025	1,175,973	-	310,068	865,905	312,624
State of Tennessee Revolving Fund -19-424	3,000,000	2.89%	11/26/2018	10/20/2040	2,632,344	-	108,852	2,523,492	111,444
State of Tennessee Revolving Fund -19-425	2,474,000	2.35%	11/26/2018	N/A	979,329	-	-	979,329	-
State of Tennessee Revolving Fund -20-443	10,671,200	1.47%	1/21/2020	N/A	290,424	1,315,090	-	1,605,514	-
Direct Placements:									
Installment Financings									
Revenue Bond Series 2019	20,000,000	1.02%	10/3/2019	9/30/2021	901,305	-	901,305	-	-
Revenue Refunding Bond Series 2020	6,750,434	1.77%	10/15/2020	8/1/2026	6,009,864	-	1,120,359	4,889,505	1,140,630
Total installment financing	62,204,867				22,672,876	1,315,090	2,954,981	21,032,985	2,084,982
Total long-term debt	$ 86,719,867				$ 51,076,111	$ 1,315,090	$ 3,845,470	$ 48,545,731	$ 2,674,982

OTHER INFORMATION

Hamilton County Water & Wastewater Treatment Authority
(A Component Unit of Hamilton County, Tennessee)
SCHEDULE OF WASTEWATER RATES
YEAR ENDED JUNE 30, 2022

The following monthly wastewater rates were in effect as of June 30, 2022:

Gallons/Month	Cost/1,000 Gallons
First 100,000	$ 14.75
Next 650,000	$ 10.96

The minimum monthly bill, based on water size, is as follows:

Water Meter Size	Minimum Gallons	Minimum Bill
Less than 1"	2,054	$ 27.59
1"	12,806	$ 188.81
1-1/2"	28,661	$ 422.60
2"	50,746	$ 748.24
3"	125,478	$ 1,753.95
4"	261,072	$ 3,241.35
6"	669,389	$ 7,720.37
8"	1,316,560	$ 12,437.12

Hamilton County Water & Wastewater Treatment Authority
(A Component Unit of Hamilton County, Tennessee)
SCHEDULE OF WASTEWATER CUSTOMERS
YEAR ENDED JUNE 30, 2022

UTILITY	Residential	Commercial	Industrial	Total Customers Serviced	AREA	MUNICIPALITY
Catoosa County	360	0	0	360	Catoosa and East Ridge	East Ridge
Eastside Utilities	4,984	178	3	5,165	Ooltewah, Collegedale, Apison, East Brainerd	Collegedale & Hamilton County Unincorporated
Hixson Utility	3,484	186	0	3,670	Hixson, Lakesite, Soddy Daisy Red Bank	Hixson, Lakesite, Soddy Daisy Red Bank
Northwest Utility	1,207	239	4	1,450	Soddy Daisy, Sale Creek	Soddy Daisy
Savannah Valley	2,459	10	0	2,469	Ooltewah	Collegedale & Hamilton County Unincorporated
Signal Mountain	1,796	34	0	1,830	Signal Mountain	Signal Mountain
Tennessee American	14,257	970	0	15,227	Hamilton County, East Ridge, East Ridge Germantown, Ridgeside, Lookout Mountain, Red Bank	Chattanooga, East Ridge, Ridgeside, Lookout Mountain, Red Bank
Union Fork	171	0	0	171	Soddy Daisy	Soddy Daisy
Walden Ridge	194	3	0	197	Hamilton County and Signal Mountain	Hamilton County and Signal Mountain
				30,539		

INTERNAL CONTROL AND COMPLIANCE

MAULDIN & JENKINS

CPAs & ADVISORS

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*

To the Board of Commissioners of the
Hamilton County Water & Wastewater Treatment Authority
Chattanooga, 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 Hamilton County Water & Wastewater Treatment Authority (the "Authority"), a component unit of Hamilton County, Tennessee, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 29, 2022.

Report on Internal Control over Financial Reporting

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
November 29, 2022

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners of the
Hamilton County Water & Wastewater Treatment Authority
Chattanooga, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Hamilton County Water & Wastewater Treatment Authority's (the "Authority") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2022. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Hamilton County Water & Wastewater Treatment Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
November 29, 2022

HAMILTON COUNTY WATER & WASTEWATER TREATMENT AUTHORITY
(A Component Unit of Hamilton County, Tennessee)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2022

Federal Grant Program	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
ENVIRONMENTAL PROTECTION AGENCY			
Capitalization Grants for Clean Water State Revolving Fund	66.458	SRF 20-443	$ 1,315,090
Total Capitalization Grants for Clean Water State Revolving Fund Cluster			1,315,090
Total Expenditures of Federal and State Awards			$ 1,315,090

HAMILTON COUNTY WATER & WASTEWATER TREATMENT AUTHORITY
(A Component Unit of Hamilton County, Tennessee)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* . Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general-purpose financial statements.

Note B. Indirect Costs

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

Note C. Outstanding Loans

The Authority's Capitalization Grants for Clean Water State Revolving Fund loans have the following outstanding loan balances. The draws made during the year are included in the schedule of expenditures of federal awards. The balance of loans outstanding at June 30, 2022 consist of:

Capitalization Grants for Clean Water State Revolving Fund - SRF 17-393	$	6,652,009
Capitalization Grants for Clean Water State Revolving Fund - SRF 18-413		865,905
Capitalization Grants for Clean Water State Revolving Fund - SRF 19-425		979,329
Capitalization Grants for Clean Water State Revolving Fund - SRF 20-443		1,605,514
Capitalization Grants for Clean Water State Revolving Fund - SRF 19-424		2,523,492
	$	12,626,249

HAMILTON COUNTY WATER & WASTEWATER TREATMENT AUTHORITY
(A Component Unit of Hamilton County, Tennessee)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP	Unmodified		
Internal control over financial reporting: Material weaknesses identified?	____ yes	X no	
Significant deficiencies identified?	____ yes	X none reported	
Noncompliance material to financial statements noted?	____ yes	X no	

Federal Awards

Internal control over major programs: Material weaknesses identified?	____ yes	X no	
Significant deficiencies identified?	____ yes	X none reported	
Type of auditor's report issued on compliance for major programs	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ yes	X no	

Identification of major program:

Federal Assistance Listing Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000		
Auditee qualified as low-risk auditee?	X yes	_____ no	

HAMILTON COUNTY WATER & WASTEWATER TREATMENT AUTHORITY
(A Component Unit of Hamilton County, Tennessee)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Section II – Financial Statement Findings and Responses

None

Section III – Federal Awards Findings and Questioned Costs

None

HAMILTON COUNTY WATER & WASTEWATER TREATMENT AUTHORITY
(A Component Unit of Hamilton County, Tennessee)
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

There were none reported.