

CITY OF CHURCH HILL, TENNESSEE

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2023

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**INTRODUCTORY SECTION
(UNAUDITED)**

CITY OF CHURCH HILL, TENNESSEE
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2023

Elected Officials

Mayor	Dennis Deal
Vice Mayor	Gregory "Buck" Tipton
Alderman	Keith Gibson
Alderman	James W. Grigsby
Alderman	Kenneth Luster
Alderman	Kathy Christian
Alderman	Michael Walker

Appointed Officials

City Recorder - Interim	Kimberly Dobbs
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FINANCIAL SECTION

DAVID M. ELLIS

Certified Public Accountant

*Member, American Institute of
Certified Public Accountants*

*Member, Tennessee Society of
Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

To the Board of Mayor and Aldermen
City of Church Hill
Church Hill, Tennessee

Report on the Audit of the Financial Statements

Opinions

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

In my opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Church Hill, Tennessee, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-12 and the required supplementary information on pages 54-57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Church Hill, Tennessee's basic financial statements. The individual fund schedules on pages 58-61 and the supplemental information on pages 62-68 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the individual fund schedules and the supplemental information 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 list of elected and appointed officials on page 1 and the other supplemental information on pages 69-71 but does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my 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, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 7, 2024, on my consideration of the City of Church Hill, Tennessee's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Church Hill, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Church Hill, Tennessee's internal control over financial reporting and compliance.



David M. Ellis, CPA
Greeneville, Tennessee
May 7, 2024

**CITY OF CHURCH HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

As management of the City of Church Hill, Tennessee (i.e., the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2023. We encourage readers to consider this information in conjunction with the basic financial statements, the notes to the financial statements and other supplementary information which has been provided.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended June 30, 2023 are as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$23,880,616. Of this amount, \$13,102,968 (unrestricted net position) may be used to meet the City's ongoing obligations.
- The City's total net position increased \$3,682,432 during the current year.
- As of June 30, 2023, the City's General Fund reported a fund balance of \$8,329,125 which was a \$1,034,902 increase over the prior year.
- The proprietary funds consisting of the Sewer Fund and the Swimming Pool Fund had an increase of \$574,579 in net position for the current year.
- During the current year, the City had no new additional debt issues.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

**CITY OF CHURCH HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The statement of activities presents information showing how the City'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 and earned but unused vacation leave are two possible examples).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and health, culture, and recreation. The business-type activities of the City represent sewer services and its seasonal swimming pool operations with revenues being primarily user charges for services rendered.

The government-wide financial statements can be found on pages 13-14 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 City, 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 City 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, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City adopts an annual appropriated budget for its General Fund, State Street Aid Fund, and Police Drug Fund. A budgetary comparison statement has been provided for such governmental funds to demonstrate compliance with this budget.

CITY OF CHURCH HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

FUND FINANCIAL STATEMENTS (CONTINUED)

The basic governmental fund financial statements can be found on pages 15-25 of this report.

Proprietary Funds

The City maintains two proprietary funds, the Sewer Fund and the Swimming Pool Fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. Proprietary or enterprise funds 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 Sewer Fund since this is considered to be a major fund of the City.

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 30-53 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on pages 54-57 and supplementary information can be found on pages 58-71 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In this case, the City's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$23,880,616 at the close of the most recent fiscal year compared to \$20,198,184 for fiscal year 2022.

A large portion of the City's net position (39%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF CHURCH HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

City of Church Hill, Tennessee Net Position						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
ASSETS						
Current & Other Assets	\$ 12,798,715	10,738,348	4,068,342	3,354,586	16,867,057	14,092,934
Capital Assets, Net of Accumulated Depreciation	<u>4,052,881</u>	<u>3,340,248</u>	<u>6,495,912</u>	<u>6,770,141</u>	<u>10,548,793</u>	<u>10,110,389</u>
Total Assets	<u>16,851,596</u>	<u>14,078,596</u>	<u>10,564,254</u>	<u>10,124,727</u>	<u>27,415,850</u>	<u>24,203,323</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>692,996</u>	<u>697,959</u>	<u>70,285</u>	<u>70,357</u>	<u>763,281</u>	<u>768,316</u>
 LIABILITIES						
Current and Other Liabilities	1,554,928	1,163,499	13,499	26,414	1,568,427	1,189,913
Long-Term Liabilities	<u>502,315</u>	<u>576,601</u>	<u>650,819</u>	<u>706,400</u>	<u>1,153,134</u>	<u>1,283,001</u>
Total Liabilities	<u>2,057,243</u>	<u>1,740,100</u>	<u>664,318</u>	<u>732,814</u>	<u>2,721,561</u>	<u>2,472,914</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,573,572</u>	<u>2,230,531</u>	<u>3,382</u>	<u>70,010</u>	<u>1,576,954</u>	<u>2,300,541</u>
 NET POSITION						
Net Investment in Capital Assets	3,571,324	2,789,304	5,845,912	6,064,742	9,417,236	8,854,046
Restricted	1,298,813	733,161	61,599	11,354	1,360,412	744,515
Unrestricted	<u>9,043,640</u>	<u>7,283,459</u>	<u>4,059,328</u>	<u>3,316,164</u>	<u>13,102,968</u>	<u>10,599,623</u>
Total Net Position	<u>\$ 13,913,777</u>	<u>10,805,924</u>	<u>9,966,839</u>	<u>9,392,260</u>	<u>23,880,616</u>	<u>20,198,184</u>

Governmental Activities

- * The property tax rate is \$0.9616 per \$100 of assessed value.
- * The City purchased two new police vehicles at a cost of \$79,448.
- * New trucks and equipment costing \$418,589 was purchased for highways and streets.
- * The City paid \$152,833 for splash pad improvements.
- * The City was awarded state and federal grant funds totaling \$1,480,714, including an additional \$988,649 of ARPA funds which was unspent at year end.
- * Of the \$988,649 ARPA grants funds that were unspent at the prior year end, \$492,065 was spent in the current year and the rest remains unspent at year end.

**CITY OF CHURCH HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

City of Church Hill, Tennessee Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program Revenues						
Charges for Services	\$ 303,340	196,921	1,310,774	1,072,249	1,614,114	1,269,170
Operating Grants	616,510	231,030	-	-	616,510	231,030
Capital Grants	16,000	40,000	-	-	16,000	40,000
General Revenues						
Property Taxes	1,602,240	1,503,761	-	-	1,602,240	1,503,761
Other Taxes	1,517,045	1,606,064	-	-	1,517,045	1,606,064
Intergovernmental	961,218	903,539	-	-	961,218	903,539
Other	294,978	411,201	4,424	17	299,402	411,218
Total Revenues	5,311,331	4,892,516	1,315,198	1,072,266	6,626,529	5,964,782
EXPENSES						
Governmental Activities						
General Government	650,313	748,648	-	-	650,313	748,648
Public Safety	416,740	884,691	-	-	416,740	884,691
Public Works	759,895	950,606	-	-	759,895	950,606
Health/Culture/Recreation	327,086	475,837	-	-	327,086	475,837
Interest	9,444	9,363	-	-	9,444	9,363
Business-type Activities						
Sewer Operations	-	-	688,791	746,939	688,791	746,939
Swimming Pool	-	-	91,828	92,325	91,828	92,325
Total Expenses	2,163,478	3,069,145	780,619	839,264	2,944,097	3,908,409
TRANSFERS	(40,000)	-	40,000	-	-	-
Change in Net Position	3,107,853	1,823,371	574,579	233,002	3,682,432	2,056,373
Net Position, Beginning	10,805,924	8,884,163	9,392,260	9,159,258	20,198,184	18,043,421
Prior Period Adjustment	-	98,390	-	-	-	98,390
Net Position, Beginning - Adjusted	10,805,924	8,982,553	9,392,260	9,159,258	20,198,184	18,141,811
Net Position, Ending	<u>\$ 13,913,777</u>	<u>10,805,924</u>	<u>9,966,839</u>	<u>9,392,260</u>	<u>23,880,616</u>	<u>20,198,184</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

CITY OF CHURCH HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City'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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,020,588. \$8,329,125 (92%) of this balance is unassigned. This amount is available for spending at the government's discretion. The remainder of the fund balance is nonspendable, committed or assigned for specific purposes.

- * The amount of \$32,416 is restricted for Drug Fund.
- * The amount of \$659,047 is restricted for State Street Aid.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$8,329,125. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 203% of total General Fund expenditures.

Proprietary Funds

Unrestricted net position of the sewer fund at the end of the fiscal year totaled \$3,988,625. Unrestricted net position of the swimming pool fund at the end of the fiscal year totaled \$70,703. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City made revisions to original budget appropriations by the City Council in the current year; thus, the original budget does not equal the final budget. Total actual revenues for the current year equaled \$5,005,851, while actual expenditures and transfers totaled \$3,970,949, resulting in an increase in fund balance of \$1,034,902. The City had budgeted revenues totaling \$4,124,278 and expenditures and transfers budgeted in the amount of \$4,805,746. Actual revenues exceeded budgeted revenues by \$881,573 and actual expenditures and transfers were below budgeted items by \$834,797. This is primarily due to actual tax revenues exceeding anticipated tax revenues, while expected capital outlay expenditures fell below expectations in the current year.

**CITY OF CHURCH HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2023, totaled \$10,548,793 (net of accumulated depreciation and amortization). The investment in capital assets includes land, buildings, equipment, improvements, infrastructure, and sewer plant and lines. A summary of the capital assets are as follows:

	City of Church Hill, Tennessee Capital Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 877,298	877,298	35,406	35,406	912,704	912,704
Construction in Progress	488,429	173,254	-	-	488,429	173,254
Buildings/Improvements	2,050,456	1,897,623	-	-	2,050,456	1,897,623
Equipment/Vehicles	3,655,843	3,157,806	381,128	381,128	4,036,971	3,538,934
Infrastructure	3,128,061	3,128,061	-	-	3,128,061	3,128,061
Utility Plant & Lines	-	-	12,080,435	12,074,302	12,080,435	12,074,302
Swimming Pool	-	-	570,314	570,313	570,314	570,313
Less: Accumulated Depreciation and Amortization	(6,147,206)	(5,893,794)	(6,571,371)	(6,291,008)	(12,718,577)	(12,184,802)
Total Capital Assets	<u>\$ 4,052,881</u>	<u>3,340,248</u>	<u>6,495,912</u>	<u>6,770,141</u>	<u>10,548,793</u>	<u>10,110,389</u>

Additional information on the City's capital assets can be found in Note 4.D on pages 43-44 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$1,124,889. The bonded debt is secured solely by specified revenue sources.

	City of Church Hill, Tennessee's Outstanding Debt					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Outstanding Debt						
Bonds Payable	\$ -	-	650,000	705,000	650,000	705,000
Unamortized Bond Premium	-	-	-	399	-	399
Capital Outlay Notes	474,889	550,944	-	-	474,889	550,944
Total Outstanding Debt	<u>\$ 474,889</u>	<u>550,944</u>	<u>650,000</u>	<u>705,399</u>	<u>1,124,889</u>	<u>1,256,343</u>

Additional information on the City of Church Hill, Tennessee's long-term debt can be found in Note 4.E on pages 45-47 of this report.

CITY OF CHURCH HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials consider many factors when setting the annual budget including tax rates and fees that will be charged for business-type activities. Church Hill is located on the outskirts of the Tri-Cities region in East Tennessee. In the upcoming 2024 fiscal year, the City made no adjustments to the property tax rate and there were no changes in the sewer rates.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances. Questions or requests for additional information should be addressed to the City Recorder, 300 East Main Boulevard, Church Hill, TN 37642.

CITY OF CHURCH HILL, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 8,598,934	3,954,115	12,553,049
Accounts Receivable, Net of Estimated Uncollectible	-	96,089	96,089
Property Taxes Receivable	1,665,150	-	1,665,150
Less: Estimated Uncollectible	(39,972)	-	(39,972)
Other Receivables	21,523	-	21,523
Due From Other Governments	416,131	-	416,131
Internal Balances	43,783	(43,783)	-
Deposits	583	322	905
Restricted Cash and Cash Equivalents	1,485,233	-	1,485,233
Net Pension Asset	607,350	61,599	668,949
Capital Assets Not Being Depreciated	1,365,727	35,406	1,401,133
Capital Assets, Net of Accumulated Amortization and Depreciation	<u>2,687,154</u>	<u>6,460,506</u>	<u>9,147,660</u>
TOTAL ASSETS	<u>16,851,596</u>	<u>10,564,254</u>	<u>27,415,850</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Changes in Experience	340,124	34,496	374,620
Pension Changes in Investment Earnings	2,891	293	3,184
Pension Changes in Assumptions	252,876	25,647	278,523
Pension Contributions After Measurement Date	<u>97,105</u>	<u>9,849</u>	<u>106,954</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>692,996</u>	<u>70,285</u>	<u>763,281</u>
LIABILITIES			
Accounts Payable	22,915	-	22,915
Accrued Payroll and Related Liabilities	41,256	13,499	54,755
Accrued Interest Payable	5,524	-	5,524
Unearned Revenues	1,485,233	-	1,485,233
Long-Term Liabilities			
Due Within One Year	436,815	60,819	497,634
Due in More Than One Year	<u>65,500</u>	<u>590,000</u>	<u>655,500</u>
TOTAL LIABILITIES	<u>2,057,243</u>	<u>664,318</u>	<u>2,721,561</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred - Current Property Taxes	1,540,221	-	1,540,221
Pension Changes in Experience	<u>33,351</u>	<u>3,382</u>	<u>36,733</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,573,572</u>	<u>3,382</u>	<u>1,576,954</u>
NET POSITION			
Net Investment in Capital Assets	3,571,324	5,845,912	9,417,236
Restricted for:			
Drug Fund	32,416	-	32,416
Net Pension Asset	607,350	61,599	668,949
State Street Aid	659,047	-	659,047
Unrestricted	<u>9,043,640</u>	<u>4,059,328</u>	<u>13,102,968</u>
TOTAL NET POSITION	<u>\$ 13,913,777</u>	<u>9,966,839</u>	<u>23,880,616</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CHURCH HILL, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General Government	\$ 650,313	64,198	492,065	-	(94,050)	-	(94,050)
Public Safety	416,740	54,374	117,061	16,000	(229,305)	-	(229,305)
Public Works	759,895	4,900	-	-	(754,995)	-	(754,995)
Health, Culture, and Recreation	327,086	179,868	7,384	-	(139,834)	-	(139,834)
Interest Expense	9,444	-	-	-	(9,444)	-	(9,444)
TOTAL GOVERNMENTAL ACTIVITIES	2,163,478	303,340	616,510	16,000	(1,227,628)	-	(1,227,628)
BUSINESS-TYPE ACTIVITIES							
Sewer	688,791	1,247,041	-	-	-	558,250	558,250
Swimming Pool	91,828	63,733	-	-	-	(28,095)	(28,095)
TOTAL BUSINESS-TYPE ACTIVITIES	780,619	1,310,774	-	-	-	530,155	530,155
TOTAL PRIMARY GOVERNMENT	\$ 2,944,097	1,614,114	616,510	16,000	(1,227,628)	530,155	(697,473)
GENERAL REVENUES							
Property Taxes					1,602,240	-	1,602,240
Sales Taxes					1,209,651	-	1,209,651
Wholesale Beer and Wine Taxes					123,813	-	123,813
Other Taxes					183,581	-	183,581
State Revenue					961,218	-	961,218
Unrestricted Investment Earnings					13,853	4,424	18,277
Miscellaneous					281,125	-	281,125
TRANSFERS					(40,000)	40,000	-
TOTAL GENERAL REVENUES AND TRANSFERS					4,335,481	44,424	4,379,905
Change in Net Position					3,107,853	574,579	3,682,432
Net Position, Beginning					10,805,924	9,392,260	20,198,184
Net Position, Ending					\$ 13,913,777	9,966,839	23,880,616

The notes to the financial statements are an integral part of this statement.

CITY OF CHURCH HILL, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 7,949,037	649,897	8,598,934
Property Taxes Receivable	1,665,150	-	1,665,150
Less: Estimated Uncollectible	(39,972)	-	(39,972)
Other Receivables	21,523	-	21,523
Due from Other Funds	43,783	-	43,783
Deposits	583	-	583
Due From Other Governments	374,565	41,566	416,131
Restricted Cash and Cash Equivalents	1,485,233	-	1,485,233
TOTAL ASSETS	\$ 11,499,902	691,463	12,191,365
LIABILITIES			
Accounts Payable	\$ 22,915	-	22,915
Accrued Payroll and Related Liabilities	41,256	-	41,256
Unearned Revenues	1,485,233	-	1,485,233
TOTAL LIABILITIES	1,549,404	-	1,549,404
DEFERRED INFLOWS OF RESOURCES			
Deferred - Current Property Taxes	1,540,221	-	1,540,221
Unavailable Revenues	81,152	-	81,152
TOTAL DEFERRED INFLOWS OF RESOURCES	1,621,373	-	1,621,373
FUND BALANCES			
Restricted for			
State Street Aid	-	659,047	659,047
Drug Fund	-	32,416	32,416
Unassigned	8,329,125	-	8,329,125
TOTAL FUND BALANCES	8,329,125	691,463	9,020,588
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 11,499,902	691,463	12,191,365

The notes to the financial statements are an integral part of this statement.

CITY OF CHURCH HILL, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2023

Amounts reported for governmental activities in the Statement of Net Position are different because:

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 9,020,588
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$10,200,087 and the accumulated amortization and depreciation is \$6,147,206.	4,052,881
Tax revenues not received during the period of availability are not considered "available" and are reported as deferred inflows in the funds.	81,152
Long-term pension retirement plans are not due and payable in the current period and, therefore, are not reported in the governmental funds. This amount is the net pension asset, net of deferred inflows and deferred outflows of resources.	1,266,995
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at fiscal year end consist of notes payable, bonds payable, accrued interest, and compensated absences.	<u>(507,839)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 13,913,777</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF CHURCH HILL, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 2,748,161	-	2,748,161
Licenses and Permits	16,829	-	16,829
Intergovernmental Revenues	1,763,182	240,754	2,003,936
Charges for Services	231,678	-	231,678
Fines and Forfeitures	53,378	996	54,374
Investment Earnings	13,853	-	13,853
Donations	16,000	-	16,000
Settlement Proceeds	-	-	-
Miscellaneous	162,770	-	162,770
TOTAL REVENUES	5,005,851	241,750	5,247,601
EXPENDITURES			
Current			
General Government	268,582	-	268,582
Financial Administration	471,383	-	471,383
Code Enforcement	9,556	-	9,556
Public Safety	984,476	-	984,476
Animal Control	2,615	-	2,615
Highways and Streets	1,035,352	-	1,035,352
Solid Waste Sanitation	170,475	-	170,475
Recreation	659,794	-	659,794
Senior Citizens	115,048	-	115,048
Fitness Center	127,718	-	127,718
State Street Aid Operations	-	170,813	170,813
Debt Service:			
Principal Payments	76,056	-	76,056
Interest Payments	9,894	-	9,894
TOTAL EXPENDITURES	3,930,949	170,813	4,101,762
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,074,902	70,937	1,145,839
OTHER FINANCING SOURCES (USES)			
Transfers Out	(40,000)	-	(40,000)
TOTAL OTHER FINANCING SOURCES (USES)	(40,000)	-	(40,000)
Net Change in Fund Balances	1,034,902	70,937	1,105,839
Fund Balances, Beginning	7,294,223	620,526	7,914,749
Fund Balances, Ending	<u>\$ 8,329,125</u>	<u>691,463</u>	<u>9,020,588</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CHURCH HILL, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023

Amounts reported for governmental activities in the Statement of Activities are different because:

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,105,839
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. This is the amount by which capital outlay of \$966,045 exceeded depreciation of \$253,412 in the period.	712,633
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Unavailable revenues decreased by this amount for the current year.	63,730
Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Compensated absences increased by this amount for the current fiscal year.	(1,769)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position.	76,055
Accrued interest expense on long-term debt is reported in the government-wide Statement of Activities and Changes in Net Position but does not require the use of current financial resources; therefore, accrued interest is not reported as an expenditure in the Governmental Funds	451
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>1,150,914</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,107,853</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF CHURCH HILL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property Taxes	\$ 1,412,013	1,412,013	1,451,636	39,623
Property Taxes - Delinquent	30,000	30,000	69,299	39,299
Local Option Sales Tax	1,025,331	937,117	1,209,651	272,534
Penalties and Interest	20,000	20,000	17,575	(2,425)
Total Taxes	2,487,344	2,399,130	2,748,161	349,031
Licenses and Permits				
Building Permits	4,000	4,000	16,814	12,814
Drainage Permits	30	30	15	(15)
Total Licenses and Permits	4,030	4,030	16,829	12,799
Intergovernmental Revenues				
Federal Grant Revenue	-	-	508,458	508,458
Other State Revenues	28,000	28,000	174,196	146,196
State Sales Tax	776,778	793,601	835,008	41,407
State Gasoline Tax	12,806	12,806	14,116	1,310
TVA Replacement Tax	73,479	73,479	84,139	10,660
State Income Tax	22,356	22,356	7,284	(15,072)
State Beer Tax	3,289	3,289	3,195	(94)
Wholesale Beer and Liquor Tax	121,200	121,200	123,813	2,613
Sportsbetting Tax	10,500	10,500	12,973	2,473
Total Intergovernmental Revenues	1,048,408	1,065,231	1,763,182	697,951
Charges for Services				
Cable TV Franchise Tax	54,000	54,000	46,910	(7,090)
Garbage Collection	3,500	3,500	4,900	1,400
Recreation Fees	10,000	10,000	88,950	78,950
Fitness Center	55,000	55,000	52,538	(2,462)
Senior Citizens	5,000	5,000	38,380	33,380
Total Charges for Services	127,500	127,500	231,678	104,178
Fines and Forfeitures	40,500	47,907	53,378	5,471
Investment Earnings	3,500	3,500	13,853	10,353

(Continued)

**CITY OF CHURCH HILL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES (CONTINUED)				
Other Revenue				
Contributions and Donations	-	-	16,000	16,000
Miscellaneous	-	476,980	162,770	(314,210)
Total Other Revenue	-	476,980	178,770	(298,210)
TOTAL REVENUES	3,711,282	4,124,278	5,005,851	881,573
EXPENDITURES				
General Government				
Dues	7,300	7,300	3,206	4,094
Website	10,000	10,000	-	10,000
Utilities and Telephone	9,000	10,084	10,470	(386)
Engineering	10,000	18,908	5,773	13,135
Insurance	140,000	140,000	176,705	(36,705)
Reappraisal Cost	7,200	7,200	7,779	(579)
Safety Program	250	250	-	250
Library	69,057	69,057	64,352	4,705
Salaries	-	8,543	275	8,268
Payroll Taxes	-	-	21	(21)
Worker's Compensation Insurance	-	-	1	(1)
Total General Government	252,807	271,342	268,582	2,760
Financial Administration				
Salaries	170,000	170,000	128,051	41,949
Payroll Taxes	13,005	13,005	9,355	3,650
Health Insurance	24,000	24,000	23,702	298
Retirement	19,023	19,023	12,541	6,482
Worker's Compensation Insurance	4,000	4,000	1,113	2,887
Fees of Officials	6,000	6,860	6,050	810
Dues and Subscriptions	300	300	82	218
Computer and Support	30,000	30,000	42,259	(12,259)
Advertising	2,200	2,200	4,899	(2,699)
Vehicle Expenses	800	800	572	228
Legal Services	22,500	32,694	30,265	2,429
Accounting Services	80,000	80,000	129,982	(49,982)

(Continued)

**CITY OF CHURCH HILL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Financial Administration (Continued)				
State Planning Fees	13,000	13,000	18,257	(5,257)
Repairs and Maintenance	26,000	26,000	24,815	1,185
Travel	1,000	1,000	1,412	(412)
Tax Commission Fees	5,000	5,000	38	4,962
Office Expense and Supplies	15,000	15,000	12,914	2,086
Miscellaneous Expenses	55,000	76,595	25,076	51,519
Total Financial Administration	486,828	519,477	471,383	48,094
Code Enforcement				
Salaries	5,000	8,500	7,729	771
Payroll Taxes	-	738	590	148
Worker's Compensation Insurance	-	-	15	(15)
Telephone	1,700	-	972	(972)
Travel	650	650	-	650
Office Expense and Supplies	1,000	100	-	100
Computer and Support	7,500	-	-	-
Operating Supplies	500	500	-	500
Vehicle Expenses	2,500	2,500	-	2,500
Miscellaneous Expense	500	-	250	(250)
Total Code Enforcement	19,350	12,988	9,556	3,432
Public Safety				
Police Department				
Salaries and Wages	477,750	483,790	469,567	14,223
Payroll Taxes	36,548	36,548	34,586	1,962
Health Insurance	132,800	132,800	77,503	55,297
Retirement	53,460	53,460	46,895	6,565
Worker's Compensation Insurance	2,000	2,000	200	1,800
Radio Expense	1,000	1,000	-	1,000
Circuit Court Clerk Fees	1,000	1,000	-	1,000
Utilities and Telephone	18,000	18,000	10,073	7,927
Hawkins County Hospital	250	250	-	250
Computer and Support	10,000	18,646	17,298	1,348
Travel	9,500	9,500	1,667	7,833
Office Expense	3,000	3,000	2,797	203
Operating Supplies	6,500	6,500	6,612	(112)

(Continued)

**CITY OF CHURCH HILL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Public Safety (Continued)				
Police Department (Continued)				
Clothing and Uniforms	7,000	7,000	5,892	1,108
Vehicle and Fuel Expense	37,250	37,250	31,805	5,445
Miscellaneous Expense	5,000	5,000	3,322	1,678
Department of Safety	5,000	5,000	6,124	(1,124)
Repairs and Maintenance	3,100	3,100	2,296	804
Capital Outlay	110,000	110,000	79,448	30,552
Total Police Department	919,158	933,844	796,085	137,759
Fire Department				
Salaries and Wages	63,500	94,271	106,625	(12,354)
Payroll Taxes	4,858	7,000	7,894	(894)
Health Insurance	7,000	8,916	12,828	(3,912)
Retirement	7,106	9,100	7,843	1,257
Worker's Compensation Insurance	200	200	81	119
Utilities and Telephone	13,000	13,000	7,542	5,458
Computer and Support	3,500	3,500	4,582	(1,082)
Travel	5,000	5,000	1,726	3,274
Office Expense	500	500	249	251
Operating Supplies	11,500	11,500	16,750	(5,250)
Clothing and Uniforms	17,000	17,000	7,181	9,819
Vehicle and Fuel Expense	15,300	15,300	3,169	12,131
Miscellaneous Expense	500	500	968	(468)
OSHA Testing	9,500	9,500	4,666	4,834
Repairs and Maintenance	5,000	7,034	6,287	747
Capital Outlay	27,000	27,000	-	27,000
Total Fire Department	190,464	229,321	188,391	40,930
Total Public Safety	1,109,622	1,163,165	984,476	178,689
Animal Control				
Salaries and Wages	24,000	24,000	1,420	22,580
Payroll Taxes	1,836	1,836	103	1,733
Worker's Compensation Insurance	100	100	4	96
Humane Society Fees	7,000	7,000	675	6,325
Utilities and Telephone	100	100	-	100

(Continued)

CITY OF CHURCH HILL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Animal Control (Continued)				
Clothing and Uniforms	200	200	-	200
Vehicle Expense	4,250	4,250	284	3,966
Miscellaneous	500	500	129	371
Capital Outlay	700	700	-	700
Total Animal Control	38,686	38,686	2,615	36,071
Highway and Streets				
Salaries and Wages	381,200	384,648	295,837	88,811
Payroll Taxes	29,162	29,162	21,693	7,469
Health Insurance	80,000	80,000	38,766	41,234
Retirement	42,656	42,656	14,317	28,339
Worker's Compensation Insurance	2,500	2,500	311	2,189
Consumable Tools	2,000	2,000	-	2,000
Utilities and Telephone	17,000	20,504	12,930	7,574
Stormwater Permit Fee	3,000	3,000	-	3,000
Repairs and Maintenance	24,000	78,630	79,235	(605)
Equipment Rental	350	350	-	350
Operating Supplies	35,000	52,851	48,236	4,615
Clothing and Uniforms	1,500	1,500	231	1,269
Vehicle Expense	64,000	78,268	98,865	(20,597)
Miscellaneous	225,000	225,000	6,342	218,658
Paving	300,000	34,660	-	34,660
Capital Outlay	80,000	80,000	418,589	(338,589)
Total Highways and Streets	1,287,368	1,115,729	1,035,352	80,377
Solid Waste Sanitation				
Salaries and Wages	115,100	115,100	78,732	36,368
Payroll Taxes	8,805	8,805	5,858	2,947
Health Insurance	7,500	7,500	7,853	(353)
Retirement	12,880	12,880	1,987	10,893
Worker's Compensation Insurance	600	600	150	450
Telephone	100	100	-	100
BFI Landfill Services	25,000	25,000	20,212	4,788
Clothing and Uniforms	100	100	-	100
Operating Supplies	250,500	250,500	-	250,500
Vehicle and Fuel Expense	38,000	38,000	55,683	(17,683)
Total Solid Waste Sanitation	458,585	458,585	170,475	288,110

(Continued)

**CITY OF CHURCH HILL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Recreation				
Salaries and Wages	104,000	104,000	91,218	12,782
Payroll Taxes	5,814	5,814	4,644	1,170
Health Insurance	15,000	15,000	6,868	8,132
Retirement	8,504	8,504	3,413	5,091
Worker's Compensation Insurance	500	500	82	418
Utilities and Telephone	14,500	14,500	28,599	(14,099)
Online Payment Expense	200	200	-	200
Miscellaneous Expense	6,500	6,500	583	5,917
Office Expense	600	600	534	66
Operating Supplies	9,000	20,411	21,791	(1,380)
Concession	100	100	-	100
Clothing and Uniforms	8,000	8,000	15,082	(7,082)
Vehicle and Fuel Expense	1,500	1,500	1,228	272
Christmas Expense	5,100	11,609	6,944	4,665
Insurance	14,000	14,000	10,800	3,200
Park Development and Operations	-	492,664	468,008	24,656
Capital Outlay	8,750	8,750	-	8,750
Total Recreation	202,068	712,652	659,794	52,858
Senior Citizens				
Salaries and Wages	44,000	45,091	44,788	303
Payroll Taxes	3,366	3,366	3,243	123
Health Insurance	12,500	12,500	13,200	(700)
Retirement	4,924	4,924	4,051	873
Worker's Compensation Insurance	100	100	41	59
Utilities and Telephone	24,500	31,102	17,799	13,303
Repairs and Maintenance	20,000	20,000	18,708	1,292
Miscellaneous Expense	4,000	4,000	969	3,031
Office Expense	500	500	1,411	(911)
Operating Supplies	8,500	8,500	9,511	(1,011)
Vehicle and Fuel Expense	2,500	2,500	1,327	1,173
First TN Human Resource Agency	4,900	4,900	-	4,900
Transportation Expense	2,500	2,500	-	2,500
Capital Outlay	7,000	7,000	-	7,000
Total Senior Citizens	139,290	146,983	115,048	31,935

(Continued)

**CITY OF CHURCH HILL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Fitness Center				
Salaries	82,000	82,000	65,743	16,257
Payroll Taxes	6,273	6,273	5,008	1,265
Health Insurance	7,000	7,000	665	6,335
Retirement	9,176	9,176	3,913	5,263
Worker's Compensation Insurance	200	200	101	99
Utilities and Telephone	16,000	16,000	9,674	6,326
Repairs and Maintenance	3,000	3,000	5,558	(2,558)
Miscellaneous Expense	1,000	1,000	1,846	(846)
Operating Supplies	15,000	15,000	19,469	(4,469)
Clothing and Uniforms	1,000	1,000	-	1,000
Vehicle and Fuel Expense	2,500	2,500	-	2,500
Credit Card Processing Fees	1,500	1,500	986	514
State Sales Tax	7,500	21,065	14,755	6,310
Capital Outlay	9,000	9,000	-	9,000
	<u>161,149</u>	<u>174,714</u>	<u>127,718</u>	<u>46,996</u>
Total Fitness Center				
Debt Service				
Principal Payments	135,925	135,925	76,056	59,869
Interest Payments	15,500	15,500	9,894	5,606
	<u>151,425</u>	<u>151,425</u>	<u>85,950</u>	<u>65,475</u>
Total Debt Service				
TOTAL EXPENDITURES	<u>4,307,178</u>	<u>4,765,746</u>	<u>3,930,949</u>	<u>834,797</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(595,896)</u>	<u>(641,468)</u>	<u>1,074,902</u>	<u>1,716,370</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(40,000)	(40,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>(595,896)</u>	<u>(681,468)</u>	<u>1,034,902</u>	<u>1,716,370</u>
Fund Balance, Beginning	<u>7,294,223</u>	<u>7,294,223</u>	<u>7,294,223</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 6,698,327</u>	<u>6,612,755</u>	<u>8,329,125</u>	<u>1,716,370</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CHURCH HILL, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

	Business-Type Activities		Total
	Sewer	Swimming Pool Fund	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 3,867,452	86,663	3,954,115
Accounts Receivable, Net of Estimated Uncollectible	96,089	-	96,089
Deposits	322	-	322
Total Current Assets	<u>3,963,863</u>	<u>86,663</u>	<u>4,050,526</u>
Noncurrent Assets			
Capital Assets			
Land	35,406	-	35,406
Equipment	381,128	570,314	951,442
Plant In Operation	12,080,435	-	12,080,435
Less: Allowance for Depreciation	<u>(6,036,576)</u>	<u>(534,795)</u>	<u>(6,571,371)</u>
Net Capital Assets	<u>6,460,393</u>	<u>35,519</u>	<u>6,495,912</u>
Net Pension Asset	<u>61,599</u>	<u>-</u>	<u>61,599</u>
Total Noncurrent Assets	<u>6,521,992</u>	<u>35,519</u>	<u>6,557,511</u>
TOTAL ASSETS	<u>10,485,855</u>	<u>122,182</u>	<u>10,608,037</u>

(Continued)

CITY OF CHURCH HILL, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2023

	Business-Type Activities		Total
	Sewer	Swimming Pool Fund	
DEFERRED OUTFLOWS OF RESOURCES			
Pension Changes in Experience	34,496	-	34,496
Pension Changes in Investment Earnings	293	-	293
Pension Changes in Assumptions	25,647	-	25,647
Pension Contributions After Measurement Date	9,849	-	9,849
TOTAL DEFERRED OUTFLOWS OF RESOURCES	70,285	-	70,285
LIABILITIES			
Current Liabilities			
Due to Other Funds	34,409	9,374	43,783
Accrued Payroll and Related Liabilities	6,913	6,586	13,499
Compensated Absences	819	-	819
Bonds Payable - Current	60,000	-	60,000
Total Current Liabilities	102,141	15,960	118,101
Noncurrent Liabilities			
Bonds Payable, Net of Premium	590,000	-	590,000
Total Noncurrent Liabilities	590,000	-	590,000
TOTAL LIABILITIES	692,141	15,960	708,101
DEFERRED INFLOWS OF RESOURCES			
Pension Changes in Experience	3,382	-	3,382
TOTAL DEFERRED INFLOWS OF RESOURCES	3,382	-	3,382
NET POSITION			
Net Investment in Capital Assets	5,810,393	35,519	5,845,912
Restricted for Net Pension Asset	61,599	-	61,599
Unrestricted	3,988,625	70,703	4,059,328
TOTAL NET POSITION	\$ 9,860,617	106,222	9,966,839

The notes to the financial statements are an integral part of this statement.

CITY OF CHURCH HILL, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2023

	Business-Type Activities		Total
	Sewer	Swimming Pool Fund	
OPERATING REVENUES			
Charges for Services	\$ 1,221,609	63,733	1,285,342
Other Revenue	25,432	-	25,432
TOTAL OPERATING REVENUES	1,247,041	63,733	1,310,774
OPERATING EXPENSES			
Personnel Services	36,628	43,658	80,286
Materials & Supplies	127,038	17,817	144,855
Repairs & Maintenance	17,782	7,892	25,674
Utilities & Telephone	159,453	9,855	169,308
Other Operating Expenses	47,053	3,858	50,911
Depreciation	271,614	8,748	280,362
TOTAL OPERATING EXPENSES	659,568	91,828	751,396
OPERATING INCOME	587,473	(28,095)	559,378
NONOPERATING REVENUES (EXPENSES)			
Interest Income	4,356	68	4,424
Interest and Related Debt Expenses	(29,223)	-	(29,223)
TOTAL NONOPERATING REVENUES (EXPENSES)	(24,867)	68	(24,799)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	562,606	(28,027)	534,579
TRANSFERS AND CAPITAL CONTRIBUTIONS			
Operating Transfer	-	40,000	40,000
Change in Net Position	562,606	11,973	574,579
Net Position, Beginning	9,298,011	94,249	9,392,260
Net Position, Ending	<u>\$ 9,860,617</u>	<u>106,222</u>	<u>9,966,839</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CHURCH HILL, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2023

	Business-Type Activities		Total
	Sewer	Swimming Pool Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 1,133,786	63,733	1,197,519
Cash Received from Other Revenues	25,432	-	25,432
Cash Paid to Suppliers and Service Provider	(359,582)	(43,860)	(403,442)
Cash Paid to Employees and Related Expenses	(152,838)	(44,652)	(197,490)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	646,798	(24,779)	622,019
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from Other Funds	-	40,000	40,000
Increase in Due From Other Funds	(62,488)	(1,902)	(64,390)
Increase in Due to Other Funds	68,363	7,956	76,319
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	5,875	46,054	51,929
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Property and Equipment	(6,133)	-	(6,133)
Principal Paid on General Obligation Bonds	(55,000)	-	(55,000)
Interest Paid and Related Debt Expenses	(29,622)	-	(29,622)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(90,755)	-	(90,755)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	4,356	68	4,424
NET CASH PROVIDED BY INVESTING ACTIVITIES	4,356	68	4,424
NET INCREASE IN CASH AND CASH EQUIVALENTS	566,274	21,343	587,617
Cash and Cash Equivalents, Beginning	3,301,178	65,320	3,366,498
Cash and Cash Equivalents, Ending	<u>\$ 3,867,452</u>	<u>86,663</u>	<u>3,954,115</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 587,473	(28,095)	559,378
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used for) Operating Activities			
Depreciation	271,614	8,748	280,362
(Increase) Decrease in			
Accounts Receivable	(87,823)	-	(87,823)
Deferred Outflows Related to Pensions	72	-	72
Net Pension Asset	(50,245)	-	(50,245)
Increase (Decrease) in			
Accounts Payable	(8,256)	(4,438)	(12,694)
Accrued Payroll and Related Liabilities	773	(994)	(221)
Compensated Absences	(182)	-	(182)
Deferred Inflows Related to Pensions	(66,628)	-	(66,628)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 646,798	(24,779)	622,019

The notes to the financial statements are an integral part of this statement.

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Church Hill, Tennessee (the City) was incorporated under the laws of the state of Tennessee and operates under a Mayor-Aldermanic form of government. As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

Individual Component Unit Disclosures

In evaluating how to define the government, for financial reporting purposes, the City management has considered all potential component units. A component unit is an organization for which the City is financially accountable, or for which the nature and significance of their relationship with the City is such that exclusion from the City's financial statements would cause them to be misleading or incomplete. The decision to include a potential component unit in the reporting entity was made by applying the criteria as set forth in GAAP. The City is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization or (2) there is a potential for the entity to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon the application of these criteria, the City does not have any component units other than the funds operated by the City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, 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 a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 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*.

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied, even though the receivable is recognized in the prior period when the enforceable legal claim arises. Property taxes recognized as receivable before the period of revenue recognition have been reported as deferred inflows of resources. 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. The government considers property taxes as available if they are collected within 60 days after fiscal year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

In accordance with the Governmental Accounting Standards Board (GASB), certain revenues are required to be, and are recognized, in the General Fund as a receivable at June 30 and either as revenue or deferred outflows of resources, depending upon revenue recognition policies of the entity. The following items for the City are accrued: in-lieu of tax for TVA, hotel and motel tax, local sales tax, state telecommunications tax, state income tax, state beer tax, gas/motor fuel tax, corporate excise tax and local property tax.

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Litigation tax, business tax, fines, forfeitures and penalties are required to be recognized as earned by GASB; however, they are not measurable or able to be estimated and are not, generally, material to the financial statements. Therefore, they are not recognized as revenue until received.

The City reports the following major governmental fund:

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 City reports the following major proprietary fund:

The *sewer fund* is used to account for the provision of sewer service to the residents of the City. All activities necessary to provide such service are accounted for in this fund, including, but not limited to, administration, operations, maintenance, and financing.

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 sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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 contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City 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 enterprise fund 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. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, regular savings accounts, and certificates of deposit with original maturities of ninety days or less.

2. Receivables and Payables

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arise. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 60 days of fiscal year end are considered available and accrued. Estimated uncollectible taxes were based on the prior year's collection experience. Property taxes are levied as of July 15 and the billings are considered past due on August 31 at which time the applicable property is subject to lien and penalties and interest are assessed. For the fiscal year ending June 30, 2023, the 2022 calendar year property tax rate was \$0.9616 per \$100 of assessed value.

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

3. Capital Assets

Capital assets, which include 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. In the government-wide financial statements, capital assets are defined by the City for governmental activities as assets with an initial individual cost greater than \$5,000. For business-type activities, capital assets are accounted for the same as in the government-wide statements.

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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Machinery/Equipment/Vehicles	5-15
Utility System	40-50
Infrastructure	40

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/
Fund Balance (Continued)**

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has items that qualify for reporting in this category. These items, deferred outflows related to pensions, are reported on the government-wide and proprietary fund Statement of Net Position. These expenses are current year retirement contributions and differences in actuarial experience, assumptions, and investment earnings related to the net pension asset. These amounts are deferred and recognized as an outflow of resources in the period to which they apply.

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 an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide and proprietary fund statements of net position, and the governmental funds balance sheet. These items are from the following sources: current and delinquent property taxes, net pension changes in experience and investment earnings, and various receivables for revenues which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

5. Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as a long-term debt in the government-wide financial statements while the current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. The City provides sick leave; however, in the event of termination, accumulated sick leave is not paid. Expected future demands of \$27,426 and \$819 for vacation benefits have been reflected in the Statement of Net Position as compensated absences for the governmental and proprietary activities, respectively.

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/
Fund Balance (Continued)**

6. 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 straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed in the period in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, as expenditures during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are 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.

7. Fund Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The City has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Mayor and Aldermen is the highest level of decision-making authority for the government that can, by adoption of an ordinance, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/
Fund Balance (Continued)**

7. Fund Equity (Continued)

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts can be assigned by the Board of Mayor and Aldermen.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

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

8. Net Position

In the government-wide financial statements and the proprietary funds in the fund financial statements, equity is classified as net position and displayed in three components:

Net Investment in Capital Assets – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, deferred bond refunding costs, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other net position that does not meet the definition of restricted or net investment in capital assets.

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/
Fund Balance (Continued)**

9. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets 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.

10. Pensions

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

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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

Explanation of Certain Differences Between the Governmental Funds' Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds' Balance Sheet includes a reconciliation between *fund balances-governmental funds* and *net position-governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities at fiscal year end consist of notes payable, bonds payable, accrued interest, and compensated absences." The details of this (\$507,839) difference are as follows:

Notes Payable	(\$474,889)
Accrued Interest	(5,524)
Compensated Absences	<u>(27,426)</u>
 Net adjustment to reduce <i>fund balances - governmental funds to arrive at net position-governmental activities</i>	 <u>\$ (507,839)</u>

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

The governmental funds' Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *change in net position of governmental activities* as reported in the government-wide Statement of Activities.

One element states that "some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds." The details of this \$1,150,914 are as follows:

Change in Deferred Outflows of Resources Related to Pensions	\$ (4,963)
Change in Deferred Inflows of Resources Related to Pensions	661,162
Change in Net Pension Asset	<u>494,715</u>
 Net adjustment to increase <i>net changes in fund balances – total governmental funds to arrive at change in net position of governmental activities</i>	 <u>\$ 1,150,914</u>

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The City authorizes an annual operating budget ordinance for expenditures and related estimated revenues for the General Fund and all special revenue funds. The City's financial operations are subject to the comprehensive appropriated budget. Budget amendments are authorized during the fiscal year. The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual include budget amounts as originally adopted or as amended by the Board of Mayor and Aldermen. The budgetary basis only differs from accounting principles generally accepted in the United States of America concerning the reporting of property tax collections.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits include demand deposits, passbook savings accounts and certificates of deposit.

Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized as follows:

DEPOSITS: State statutes require all deposits with financial institutions other than savings and loan associations to be collateralized in an amount equal to 105% of the market value of uninsured deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the City. Deposits with savings and loan associations must be collateralized by one of the following methods: 1) by an amount equal to 110% of the face amount of uninsured deposits if the collateral is of the same character as that required for other financial institutions; 2) by an irrevocable letter of credit issued by the Federal Home Loan Bank; or 3) by providing notes secured by first mortgages or first deeds of trust upon residential real property located in Tennessee. The promissory notes must be in an amount equal to 150% of the amount of uninsured deposits.

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

INVESTMENTS: State statutes authorized the City to invest in treasury bonds, notes or bills of the United States; nonconvertible debt securities of the Federal Home Loan Bank, The Federal National Mortgage Association, The Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States or any of its agencies; obligations of the United States or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; The State of Tennessee Local Government Investment Pool; obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

The City does not have a policy for interest rate risk or credit risk other than pledging securities for amounts in excess of the Federal Deposit Insurance Corporation (FDIC) coverage.

Deposits

At fiscal year end, the City has \$1,025 of cash on hand which has been included in cash and cash equivalents. The City's carrying amount of deposits was \$14,037,257 and the bank balance was \$14,157,119. The City's bank balance was covered by securities held by the entity or its agent in the entity's name or by amounts insured by the FDIC.

Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

As of June 30, 2023, the City has no investments. All amounts reflected in the basic financial statements represent deposits.

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables

Receivables as of June 30, 2023, including the applicable allowances for uncollectible accounts, are as follows:

	General	State Street Aid	Sewer	Total
Receivables				
Accounts	\$ -	-	96,089	96,089
Taxes	1,665,150	-	-	1,665,150
Other Receivables	21,523	-	-	21,523
Due from Other Governments				
Federal Government and Federal through State	153,746	-	-	153,746
State of Tennessee	220,819	41,566	-	262,385
Gross Receivables	2,061,238	41,566	96,089	2,198,893
Less: Allowance for Uncollectibles	(39,972)	-	-	(39,972)
Total Receivables	<u>\$ 2,021,266</u>	<u>41,566</u>	<u>96,089</u>	<u>2,158,921</u>

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

At the end of the current fiscal year, the various components of *deferred inflows of resources* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Receivables Not Received within Period of Availability		
Property Tax Levied for Ensuing Fiscal Year		
General Fund	<u>\$ 81,152</u>	<u>1,540,221</u>
	<u>\$ 81,152</u>	<u>1,540,221</u>

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Interfund 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” of “due to other funds” on the fund level financial statements. These are aggregated and classified as part of the internal balances in government-wide financial statements. The composition of interfund balances as of June 30, 2023 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sewer	\$ 34,409
General	Swimming Pool	9,374

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 877,298	-	-	877,298
Construction in Progress	173,254	315,175	-	488,429
Total Capital Assets, Not Being Depreciated	<u>1,050,552</u>	<u>315,175</u>	<u>-</u>	<u>1,365,727</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	1,897,623	152,833	-	2,050,456
Machinery, Equipment, And Vehicles	3,157,806	498,037	-	3,655,843
Infrastructure	3,128,061	-	-	3,128,061
Total Capital Assets, Being Depreciated	<u>8,183,490</u>	<u>650,870</u>	<u>-</u>	<u>8,834,360</u>
Less Accumulated Depreciation For				
Buildings and Improvements	(911,023)	(43,276)	-	(954,299)
Machinery, Equipment, and Vehicles	(2,429,287)	(146,469)	-	(2,575,756)
Infrastructure	(2,553,484)	(63,667)	-	(2,617,151)
Total Accumulated Amortization and Depreciation	<u>(5,893,794)</u>	<u>(253,412)</u>	<u>-</u>	<u>(6,147,206)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,289,696</u>	<u>397,458</u>	<u>-</u>	<u>2,687,154</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,340,248</u>	<u>712,633</u>	<u>-</u>	<u>4,052,881</u>

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

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

Governmental Activities	
General Government	\$ 15,599
Public Safety	39,605
Public Works	146,715
Health, Culture, and Recreation	<u>51,493</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 253,412</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 35,406	-	-	35,406
Total Capital Assets, Not Being Depreciated	<u>35,406</u>	<u>-</u>	<u>-</u>	<u>35,406</u>
Capital Assets, Being Depreciated				
Utility Plant and Lines in Service	12,074,302	6,133	-	12,080,435
Machinery and Equipment	381,128	-	-	381,128
Swimming Pool	570,314	-	-	570,314
Total Capital Assets, Being Depreciated	<u>13,025,744</u>	<u>6,133</u>	<u>-</u>	<u>13,031,877</u>
Less Accumulated Depreciation For				
Utility Plant and Lines in Service	(5,413,119)	(261,807)	-	(5,674,926)
Machinery and Equipment	(351,843)	(9,807)	-	(361,650)
Swimming Pool	(526,047)	(8,748)	-	(534,795)
Total Accumulated Depreciation	<u>(6,291,009)</u>	<u>(280,362)</u>	<u>-</u>	<u>(6,571,371)</u>
Total Capital Assets, Being Depreciated, Net	<u>6,734,735</u>	<u>(274,229)</u>	<u>-</u>	<u>6,460,506</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,770,141</u>	<u>(274,229)</u>	<u>-</u>	<u>6,495,912</u>

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Liabilities

Changes in Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the fiscal year ended June 30, 2023:

	Balance Beginning of Year	Additions	Retirements/ Reductions	Balance End of Year	Due Within One Year
Governmental Activities					
Capital Outlay Note - 2016	\$ 106,500	-	(20,500)	86,000	20,500
Capital Outlay Note - 2020	444,444	-	(55,555)	388,889	388,889
Compensated Absences	25,657	1,769	-	27,426	27,426
Governmental Activities					
Long-Term Liabilities	576,601	1,769	(76,055)	502,315	436,815
Business-Type Activities					
General Obligation Refunding Bonds - 2013	705,000	-	(55,000)	650,000	60,000
Unamortized Premium-Refunding Bonds	399	-	(399)	-	-
Compensated Absences	1,001	-	(182)	819	819
Business-Type Activities					
Long-Term Liabilities	706,400	-	(55,581)	650,819	60,819
Total Changes in Long-Term Liabilities	\$ 1,283,001	1,769	(131,636)	1,153,134	497,634

For governmental activities, compensated absences are liquidated by the General fund. Interest expense related to governmental activities totaled \$9,894 for the fiscal year ended June 30, 2023.

Governmental Activities Debt

General Fund	Date Issued	Amount Authorized and Issued	Interest Rate	Maturity Date	Outstanding June 30, 2023
Capital Outlay Note 2016	2/11/2016	\$ 250,000	3.40%	2/11/2028	86,000
Capital Outlay Note 2020	8/25/2020	500,000	2.22%	8/1/2023	388,889
Total Governmental Activities Long-Term Debt					\$ 474,889

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Liabilities (Continued)

Governmental Activities Debt (Continued)

A General Obligation Capital Outlay Note was issued in 2016 for park access construction. It is due in annual installments with an interest rate of 3.40% for twelve years. The annual requirements to amortize this note are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 20,500	3,621	24,121
2025	20,500	2,924	23,424
2026	20,500	2,227	22,727
2027	20,500	1,530	22,030
2028	4,000	833	4,833
	<u>\$ 86,000</u>	<u>11,135</u>	<u>97,135</u>

A General Obligation Capital Outlay Note was issued in 2020. It is due in semi-annual installments with an interest rate of 2.22% for three years. The annual requirements to amortize this note are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 388,889	4,317	393,206
	<u>\$ 388,889</u>	<u>4,317</u>	<u>393,206</u>

The annual requirements to amortize all governmental activities notes, including principal and interest, outstanding as of June 30, 2023 are as follows:

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Liabilities (Continued)

Governmental Activities Debt (Continued)

Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$ 409,389	7,938	417,327
2025	20,500	2,924	23,424
2026	20,500	2,227	22,727
2027	20,500	1,530	22,030
2028	4,000	833	4,833
	<u>\$ 474,889</u>	<u>15,452</u>	<u>490,341</u>

Business-Type Activities Debt

<u>Water and Sewer Fund</u>	Date Issued	Amount Authorized and Issued	Interest Rate	Year of Maturity	Outstanding June 30, 2023
G.O. Refunding Bonds, Series 2013	10/15/13	\$ 1,205,000	7.03%	10/15/2035	<u>\$ 650,000</u>

Interest expense related to business-type activities totaled \$29,223 for the fiscal year ended June 30, 2023.

The annual requirements to amortize all business-type activities bonds, including principal and interest, outstanding as of June 30, 2023 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$ 60,000	23,975	83,975
2025	60,000	22,325	82,325
2026	65,000	20,225	85,225
2027	65,000	17,950	82,950
2028	65,000	15,675	80,675
2029-2033	315,000	38,200	353,200
2034-2035	20,000	1,200	21,200
	<u>\$ 650,000</u>	<u>139,550</u>	<u>789,550</u>

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 - OTHER INFORMATION

A. Risk Management

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

B. Employee Retirement Systems and Pension Plan

General Information about the Pension Plan

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

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

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

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 - OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plan (Continued)

Employees Covered by Benefit Terms. At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	33
Active employees	19
	77
	77

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023, the employer contributions for the City were \$106,954 based on a rate of 11.19 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Pension Liabilities (Assets). The City's net pension liability (asset) was measured as of June 30, 2022, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 - OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plan (Continued)

Actuarial Assumptions (Continued). Mortality rates were based on actual experience including an adjustment for some anticipated improvement. The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	4.88%	31%
Developed Market International Equity	5.37%	14%
Emerging Market International Equity	6.09%	4%
Private Equity and Strategic Lending	6.57%	20%
U.S. Fixed Income	1.20%	20%
Real Estate	4.38%	10%
Short-term Securities	0.00%	1%
		100%

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

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 - OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plan (Continued)

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

Changes in the Net Pension Liability (Asset)

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/2021	\$ 6,235,809	6,359,798	(123,989)
Changes for the Year:			
Service Cost	90,002	-	90,002
Interest	415,930	-	415,930
Differences Between Expected and Actual Experience	168,156	-	168,156
Changes in Assumptions	-	-	-
Contributions - Employer	-	76,621	(76,621)
Contributions - Employees	-	45,717	(45,717)
Net Investment Income	-	(239,338)	239,338
Benefit Payments, Including Refunds of Employee Contributions	(327,757)	(327,757)	-
Administrative Expense	-	(1,850)	1,850
Net Changes	<u>346,331</u>	<u>(446,607)</u>	<u>792,938</u>
Balance at 6/30/2022	<u>\$ 6,582,140</u>	<u>5,913,191</u>	<u>668,949</u>

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 - OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plan (Continued)

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability (Asset)	\$ 1,561,323	668,949	(67,524)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Expense. For the year ended June 30, 2023, the City recognized pension expense of \$176,813.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 374,620	36,733
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,184	-
Changes in Assumptions	278,526	-
Contributions Subsequent to the Measurement Date of June 30, 2022	106,954	-
	\$ 763,284	36,733

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2022” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

CITY OF CHURCH HILL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 - OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plan (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

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

Year Ended June 30:	
2024	\$ 150,722
2025	128,116
2026	101,024
2027	239,735
2028	-
Thereafter	-

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

C. Contingent Liabilities

The City generally follows the practice of recording liabilities from claims and legal actions only when it is probable that both 1) an asset has been impaired or a liability has been incurred, and 2) the amount of loss can be reasonably estimated. No material pending or threatened claims, litigation, or assessments, asserted or unasserted, against the City exist at this time.

D. Economic Dependency

The City depends on financial resources flowing from, or associated with, both the federal government and the State of Tennessee. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHURCH HILL, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year Ending June 30

	2014	2015	2016	2017	2018	2019	2020	2021	2022
TOTAL PENSION LIABILITY									
Service Cost	\$ 101,203	89,752	83,443	83,940	91,827	94,554	81,316	80,317	90,002
Interest	255,229	286,580	300,975	319,818	338,587	345,179	368,075	401,999	415,930
Differences Between Actual and Expected Experience	201,428	(40,258)	4,780	70,678	(128,573)	134,471	308,453	46,426	168,156
Change of Assumptions	-	-	-	100,663	-	-	-	396,210	-
Benefit Payments, Including Refunds of Employee Contributions	(111,450)	(145,347)	(130,325)	(146,588)	(207,545)	(219,733)	(270,582)	(307,277)	(327,757)
NET CHANGE IN TOTAL PENSION LIABILITY	446,410	190,727	258,873	428,511	94,296	354,471	487,262	617,675	346,331
TOTAL PENSION LIABILITY - BEGINNING	3,357,584	3,803,994	3,994,721	4,253,594	4,682,105	4,776,401	5,130,872	5,618,134	6,235,809
TOTAL PENSION LIABILITY - ENDING (a)	\$ 3,803,994	3,994,721	4,253,594	4,682,105	4,776,401	5,130,872	5,618,134	6,235,809	6,582,140
PLAN FIDUCIARY NET POSITION									
Contributions - Employer	\$ 126,724	125,323	127,330	133,575	131,016	117,485	83,716	83,646	76,621
Contributions - Employee	57,971	58,438	58,689	62,360	58,385	52,262	50,799	50,756	45,717
Net Investment Income	512,634	113,128	101,811	451,375	368,591	355,359	249,614	1,322,154	(239,338)
Benefit Payments, Including Refunds of Employee Contributions	(111,450)	(145,347)	(130,325)	(146,588)	(207,545)	(219,733)	(270,582)	(307,277)	(327,757)
Administrative Expense	(1,294)	(1,532)	(2,217)	(2,704)	(2,753)	(2,403)	(2,366)	(2,323)	(1,850)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	584,585	150,010	155,288	498,018	347,694	302,970	111,181	1,146,956	(446,607)
PLAN FIDUCIARY NET POSITION - BEGINNING	3,063,096	3,647,681	3,797,691	3,952,979	4,450,997	4,798,691	5,101,661	5,212,842	6,359,798
PLAN FIDUCIARY NET POSITION - ENDING (b)	\$ 3,647,681	3,797,691	3,952,979	4,450,997	4,798,691	5,101,661	5,212,842	6,359,798	5,913,191
NET PENSION LIABILITY (ASSET) - ENDING (a) - (b)	\$ 156,313	197,030	300,615	231,108	(22,290)	29,211	405,292	(123,989)	668,949
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY (ASSET)	95.89%	95.07%	92.93%	95.06%	100.47%	99.43%	92.79%	101.99%	89.84%
COVERED PAYROLL	\$ 1,159,418	1,170,145	1,184,082	1,247,196	1,167,695	1,045,237	1,015,972	1,015,119	914,326
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	13.48%	16.84%	25.39%	18.53%	-1.91%	2.79%	39.89%	-12.21%	73.16%

(Continued)

CITY OF CHURCH HILL, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year Ending June 30

Notes to the Schedule:

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

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

CITY OF CHURCH HILL, TENNESSEE
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION
IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year Ending June 30

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially Determined Contribution	\$ 126,724	125,323	127,330	133,575	131,016	117,485	83,716	83,646	76,945	106,954
Contributions in Relation to the										
Actuarially Determined Contribution	126,724	125,323	127,330	133,575	131,016	117,485	83,716	83,646	76,945	106,954
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	-	-
Covered Payroll	\$ 1,159,418	1,170,145	1,184,082	1,247,196	1,167,695	1,045,237	1,015,972	1,015,119	918,198	955,800
Contributions as a Percentage of Covered Payroll	10.93%	10.71%	10.75%	10.71%	11.22%	11.24%	8.24%	8.24%	8.38%	11.19%

(Continued)

CITY OF CHURCH HILL, TENNESSEE
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION
IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year Ending June 30

Notes To Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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

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

INDIVIDUAL FUND SCHEDULES

**CITY OF CHURCH HILL, TENNESSEE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2023**

	State Street Aid Fund	Drug Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 617,481	32,416	649,897
Due from Other Governments	41,566	-	41,566
TOTAL ASSETS	\$ 659,047	32,416	691,463
FUND BALANCES			
Restricted	\$ 659,047	32,416	691,463
TOTAL FUND BALANCES	\$ 659,047	32,416	691,463

CITY OF CHURCH HILL, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2023

	State Street Aid Fund	Drug Fund	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 240,754	-	240,754
Fines and Forfeitures	-	996	996
TOTAL REVENUES	<u>240,754</u>	<u>996</u>	<u>241,750</u>
EXPENDITURES			
State Street Aid Operations	<u>170,813</u>	-	<u>170,813</u>
TOTAL EXPENDITURES	<u>170,813</u>	-	<u>170,813</u>
NET CHANGE IN FUND BALANCE	69,941	996	70,937
FUND BALANCE - BEGINNING	<u>589,106</u>	<u>31,420</u>	<u>620,526</u>
FUND BALANCE - ENDING	<u>\$ 659,047</u>	<u>32,416</u>	<u>691,463</u>

CITY OF CHURCH HILL, TENNESSEE
STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue - TN Gas Tax	\$ 251,928	251,928	240,754	(11,174)
Investment Earnings	250	250	-	(250)
TOTAL REVENUES	252,178	252,178	240,754	(11,424)
EXPENDITURES				
Street Lighting	110,000	110,000	125,778	(15,778)
Sign Parts and Supplies	5,000	5,000	967	4,033
Traffic Light Maintenance	5,000	5,000	442	4,558
Materials and Supplies	25,000	25,000	43,626	(18,626)
Capital Outlay	110,250	110,250	-	110,250
TOTAL EXPENDITURES	255,250	255,250	170,813	84,437
Net Change in Fund Balance	(3,072)	(3,072)	69,941	73,013
Fund Balance, Beginning	589,106	589,106	589,106	-
Fund Balance, Ending	<u>\$ 586,034</u>	<u>586,034</u>	<u>659,047</u>	<u>73,013</u>

CITY OF CHURCH HILL, TENNESSEE
DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fine and Forfeitures	\$ 2,000	2,000	996	(1,004)
TOTAL REVENUES	2,000	2,000	996	(1,004)
EXPENDITURES				
Drug Fund Operations	10,000	10,000	-	10,000
TOTAL EXPENDITURES	10,000	10,000	-	10,000
Net Change in Fund Balance	(8,000)	(8,000)	996	8,996
Fund Balance, Beginning	31,420	31,420	31,420	-
Fund Balance, Ending	<u>\$ 23,420</u>	<u>23,420</u>	<u>32,416</u>	<u>8,996</u>

SUPPLEMENTAL INFORMATION

CITY OF CHURCH HILL, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2023

Grantor Agency	Pass-Through Agency/Program Name	Assistance Listing Number	Contract Number	Expenditures
National Highway Traffic Safety Administration	Pass-Through Tennessee Highway Safety Office High Visibility Enforcement Grant	20.607	Z22THS051	\$ 3,393
National Highway Traffic Safety Administration	Pass-Through Tennessee Highway Safety Office High Visibility Enforcement Grant	20.607	Z23THS046	5,000
U.S. Department of Health and Human Services	Pass-Through Tennessee Commission on Aging and Disability Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Citizens	93.044	N/A	8,000
U.S. Department of the Treasury	Pass-Through Tennessee Commissioner of Finance and Administration	21.027	N/A	<u>492,065</u>
TOTAL FEDERAL AWARDS				<u>\$ 508,458</u>

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the City under programs of the federal government for the fiscal year ended June 30, 2023.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting.

Non-monetary assistance is reported in the schedule of federal awards at the estimated fair market value of property received and used.

NOTE C: INDIRECT COSTS

The City has not elected to use the 10% *de minimis* indirect costs allocation option.

CITY OF CHURCH HILL, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE
For the Fiscal Year Ended June 30, 2023

Tax Year	Property Tax Receivable at June 30, 2022	Property Tax Levied	Anticipated Current Year Levy	Adjustments	Collections	Property Tax Receivable at June 30, 2023
2023	\$ -	1,540,221	-	-	-	1,540,221
2022	1,536,018	-	-	-	(1,458,561)	77,457
2021	23,368	-	-	-	(7,987)	15,381
2020	33,994	-	-	-	(22,776)	11,218
2019	22,434	-	-	-	(13,744)	8,690
2018	15,070	-	-	-	(8,030)	7,040
2017	7,429	-	-	-	(5,517)	1,912
2016	981	-	-	-	(564)	417
2015	400	-	-	-	(73)	327
2014	795	-	-	-	(73)	722
2013	1,838	-	-	-	(73)	1,765
Total	<u>\$ 1,642,327</u>	<u>1,540,221</u>	<u>-</u>	<u>-</u>	<u>(1,517,398)</u>	<u>1,665,150</u>

NOTE:

Note: These taxes upon delinquency are turned over to the Chancery Court one year after becoming delinquent.

CITY OF CHURCH HILL, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
For the Fiscal Year Ended June 30, 2023

<u>Description of Indebtedness</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding June 30, 2022</u>	<u>Issued During Period</u>	<u>Paid During Period</u>	<u>Outstanding June 30, 2023</u>
Governmental Activities								
<u>NOTES PAYABLE</u>								
<u>Payable Through the General Fund</u>								
General Obligation Capital Outlay Note 2016	2/11/2016	\$ 250,000	3.40%	2/11/2028	\$ 106,500	-	20,500	86,000
General Obligation Capital Outlay Note 2020	8/25/2020	\$ 500,000	2.22%	8/1/2023	444,444	-	55,555	388,889
Total Notes Payable Through the General Fund					<u>\$ 550,944</u>	<u>-</u>	<u>76,055</u>	<u>474,889</u>
Business-Type Activities								
<u>BONDS PAYABLE</u>								
<u>Payable Through the Sewer Fund</u>								
General Obligation Refunding Bond Series 2013	10/15/2013	\$ 1,205,000	7.03%	10/15/2035	<u>\$ 705,000</u>	<u>-</u>	<u>55,000</u>	<u>650,000</u>

CITY OF CHURCH HILL, TENNESSEE
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST
GENERAL OBLIGATION CAPITAL OUTLAY NOTE - 2016
June 30, 2023

Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$ 20,500	3,621	24,121
2025	20,500	2,924	23,424
2026	20,500	2,227	22,727
2027	20,500	1,530	22,030
2028	4,000	833	4,833
Total	<u>\$ 86,000</u>	<u>11,135</u>	<u>97,135</u>

CITY OF CHURCH HILL, TENNESSEE
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST
PARK IMPROVEMENT CAPITAL OUTLAY NOTE - 2020
June 30, 2023

Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$ 388,889	4,317	393,206
Total	\$ 388,889	4,317	393,206

CITY OF CHURCH HILL, TENNESSEE
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST
SEWER GENERAL OBLIGATION REFUNDING BONDS - SERIES 2013
June 30, 2023

Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$ 60,000	23,975	83,975
2025	60,000	22,325	82,325
2026	65,000	20,225	85,225
2027	65,000	17,950	82,950
2028	65,000	15,675	80,675
2029	70,000	13,400	83,400
2030	70,000	10,600	80,600
2031	75,000	7,800	82,800
2032	80,000	4,800	84,800
2033	20,000	1,600	21,600
2034	10,000	800	10,800
2035	10,000	400	10,400
Total	<u>\$ 650,000</u>	<u>139,550</u>	<u>789,550</u>

CITY OF CHURCH HILL, TENNESSEE
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
ALL FUNDS
June 30, 2023

Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$ 469,389	31,913	501,302
2025	80,500	25,249	105,749
2026	85,500	22,452	107,952
2027	85,500	19,480	104,980
2028	69,000	16,508	85,508
2029	70,000	13,400	83,400
2030	70,000	10,600	80,600
2031	75,000	7,800	82,800
2032	80,000	4,800	84,800
2033	20,000	1,600	21,600
2034	10,000	800	10,800
2035	10,000	400	10,400
Total	<u>\$ 1,124,889</u>	<u>155,002</u>	<u>1,279,891</u>

**OTHER SUPPLEMENTAL
INFORMATION
(UNAUDITED)**

CITY OF CHURCH HILL, TENNESSEE
SCHEDULE OF TAX RATES AND ASSESSMENTS
Last Ten Fiscal Years

Calendar Tax Year	Assessed Value	Tax Rate Per \$100
2014	\$ 128,884,230	1.1034
2015	127,768,454	1.1034
2016	129,495,051	1.1034
2017	129,333,020	1.1034
2018	123,889,949	1.1034
2019	131,930,205	1.1034
2020	134,499,879	1.1034
2021	127,370,296	1.1034
2022	147,699,070	0.9616
2023	149,956,785	0.9616

CITY OF CHURCH HILL, TENNESSEE
SCHEDULE OF CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL ACTIVITIES
June 30, 2023

Function	Land	Buildings & Improvements	Machinery, Equipment, and Vehicles	Infrastructure	Total
General Government	\$ 194,545	790,550	47,925	-	1,033,020
Police and Fire	-	312,883	1,089,970	-	1,402,853
Highways and Streets	122,000	320,000	1,437,533	3,128,061	5,007,594
Sanitation	-	-	395,317	-	395,317
Animal Control	-	-	21,161	-	21,161
Senior Citizens	-	258,664	48,046	-	306,710
Recreation/Park	560,753	368,359	615,891	-	1,545,003
Total	<u>\$ 877,298</u>	<u>2,050,456</u>	<u>3,655,843</u>	<u>3,128,061</u>	<u>9,711,658</u>

CITY OF CHURCH HILL, TENNESSEE
SEWER RATE STRUCTURE AND NUMBER OF CUSTOMERS
For the Fiscal Year Ended June 30, 2023

<u>Sewer Rates</u>	<u>Inside City</u>	<u>Outside City</u>
Up to 2,500 Gallons	\$19.92	\$26.33
For each 1,000 Gallons over 2,500	\$5.28	\$7.28
For each 1,000 Gallons above 500,000	N/A	\$6.19
Unmetered Users:		
One Person in Household	\$15.00 per month	\$15.00 per month
Fewer than Five Persons in Household	\$20.10 per month	\$20.10 per month
Five or More Persons in Household	\$24.00 per month	\$24.00 per month
 Total Number of Customers at Year End:	 2,685	

DAVID M. ELLIS

Certified Public Accountant

*Member, American Institute of
Certified Public Accountants*

*Member, Tennessee Society of
Certified Public Accountants*

**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 Mayor and Aldermen
City of Church Hill
Church Hill, Tennessee

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Church Hill, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Church Hill, Tennessee's basic financial statements, and have issued my report thereon dated May 7, 2024.

Report on Internal Control over Financial Reporting

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

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

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 that I considered to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Church Hill, Tennessee's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2023-003 and 2023-004.

City of Church Hill, Tennessee's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Church Hill, Tennessee's response to the findings identified in my audit and described in the accompanying schedule of findings and responses. City of Church Hill, Tennessee's response was not subjected to the auditing procedures applied in the other audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of my 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.



David M. Ellis, CPA
Greeneville, Tennessee
May 7, 2024

CITY OF CHURCH HILL, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2023

Financial Statement Findings

Current Year Findings:

2023-001 Bank Account Reconciliations

Condition: Bank account reconciliations prepared by the City's staff were not reconciled on a timely basis.

Criteria: The City's personnel should completely and accurately reconcile all bank accounts on a monthly basis.

Cause: The City's accounting software was not configured by City personnel to allow reconciliation of all bank accounts.

Effect: Bank accounts that are not reconciled accurately are more susceptible to errors and irregularities that are not discovered in the normal courses of business.

Recommendation: The City should accurately reconcile each month to the balance in the general ledger subsequent to completion of business operations for that month. Any differences should be thoroughly investigated, resolved, and documented. Proper and timely bank reconciliations will minimize the possibility of mistakes by the bank or the City being overlooked.

Views of responsible officials and planned corrective actions: Management concurs.

2023-002 Utilization of Accounting Software

Condition: The accounting software is not being utilized properly to facilitate reconciliations between control accounts and subsidiary ledgers.

Criteria: The City's personnel should completely and accurately reconcile all control accounts and subsidiary ledgers on a monthly basis.

Cause: Accounting software was not set up properly by City personnel to facilitate reconciliation of all accounts. In addition, qualified personnel with a background in accounting were not in place to utilize the software to its full potential.

Effect: General ledger accounts that are not reconciled accurately are more susceptible to errors and irregularities that are not discovered in the normal course of business.

Recommendation: Management should accurately reconcile bank account balances and control accounts with subsidiary ledgers and the general ledger subsequent to completion of City operations each month. Any differences should be thoroughly investigated, resolved, and documented. Proper and timely reconciliations will minimize the possibility of mistakes in financial reporting.

Views of responsible officials and planned corrective actions: Management concurs.

CITY OF CHURCH HILL, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2023

2023-003 Late Audit

Condition: For the year ending June 30, 2023, the City failed to file audited financial statements with the Comptroller's office in a timely manner.

Criteria: Tennessee Code Annotated 6-56-105 states:

“(e) All such audits must be completed as soon as practicable after the end the fiscal year of the municipality.”

Cause: Oversight/error

Effect: The City's late submission resulted in noncompliance with State law.

Recommendation: Future audited financial statements should be submitted to the Tennessee Comptroller of the Treasury on a timely basis.

View of responsible officials and planned correction actions: Management agrees with the finding and steps will be taken to ensure compliance with State law.

2023-004 Failure to Implement Cyber Security Plan

Condition: The City failed to implement a Cyber Security Plan by the implementation date. A written plan was not available to read, review, or document compliance.

Criteria: TCA Sections 7-51-2301 et seq. were added by 112th General Assembly, Public Chapter 1111, effective June 1, 2022. This law amends sections of TCA to require certain utilities to prepare and implement a cyber security plan to provide for the protection of the utility's facilities from unauthorized use, alteration, ransom, or destruction of electronic data.

Cause: The City was not able to implement a Cyber Security plan by the required date due to new management during the year.

Effect: Without adequate security measures in place, the City leaves itself vulnerable to data breaches and public safety of the drinking water.

Recommendation: The City should design and implement a Cyber Security policy as soon as possible.

Management's Comments: Management has begun the discussion about the need for an effective Cyber Security Plan and a written document will be implemented as soon as possible.

CITY OF CHURCH HILL, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2023

Financial Statement Findings

Finding Number	Finding Title	Status
2021-001	Bank Account Reconciliations (Original finding # 2018-001)	Repeated (2023-001)
2021-002	Utilization of Accounting Software (Original finding # 2018-003)	Repeated (2023-002)
2022-003	Inadequate Segregation of Duties (Original finding # 2018-005)	Corrected
2021-006	General Oversight of City Personnel (Original finding # 2021-006)	Corrected

Compliance Findings

Finding Number	Finding Title	Status
2022-004	Closing of Books (Original finding # 2021-004)	Corrected
2022-005	Noncompliance Under City Personnel Policy (Original finding # 2021-005)	Corrected
2022-007	General Fund Budgeting (Original finding # 2022-007)	Corrected
2022-008	Late Audit (Original finding # 2022-008)	Repeated (2023-003)
2022-009	Failure to submit timely 941 tax payments (Original finding # 2022-009)	Corrected



May 7, 2024

CITY OF CHURCH HILL, TENNESSEE
MANAGEMENT'S CORRECTIVE PLAN
FOR YEAR END JUNE 30, 2023

The City of Church Hill, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2023

CORRECTIVE ACTION- FINANCIAL STATEMENT FINDINGS:

NAME OF CONTACT PERSON: Dennis Deal, Mayor

2023-001 BANK ACCOUNT RECONCILIATIONS:

The City of Church Hill had an open position of City recorder until October 18, 2022. The bank statements will be reconciled on a monthly basis, now that there is an interim city recorder in place. The current FY 2023 is behind, due to the lack of experience and the hiring of outside CPA's doing the reconciliations for FY's 21 and 22. FY 23 is being reconciled with the assistance of outside CPA's to get the city in compliance with this problem.

Planned date of completion/compliance is July 01, 2023

2023-002 UTILIZATION OF ACCOUNTING SOFTWARE

The use of the software for the city's bank reconciliations was not fully utilized in the past and there is new central administrative staff in the city that did not have the knowledge of knowing that all accounts needed to be in the software

Planned date of completion/compliance is July 1, 2023

2023-003 LATE AUDIT

The past audits for FY22 were also being finalized at the time the FY 23 audits were being started. The city has been behind in audits, so it has taken a couple of years to get back on track. Once FY 23 is audited, the city should be on schedule for the future timely audits.

Completion/Compliance in place as of July 1, 2024



City of Church Hill

2023-004 FAILURE TO IMPLEMENT CYBER SECURITY PLAN

The cyber security plan was not known by the administration and until the end of the fiscal year and was not very well understood. The plan will be implemented as soon as possible.

Completion/Compliance in place sometime in FY 2025

Dennis Deal, Mayor

Kimberly Dobbs, Interim City Recorder