

CITY OF MUNFORD, TENNESSEE

Financial Statements

For the Fiscal Year Ended June 30, 2021



**CITY OF MUNFORD, TENNESSEE
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INTRODUCTORY SECTION (UNAUDITED)

CITY OF MUNFORD, TENNESSEE
CITY OFFICIALS
June 30, 2021

MAYOR

Dwayne Cole (2024*)

ALDERMEN

Sue Arthur (2022*)
Jack Bomar (2022*)
Ray Deneka (2024*)
Lonnie Glass (2024*)
Deborah Reed (2024*)
Glenn Turner (2022*)

CITY OFFICIALS

City Recorder	Sherry Yelvington**
Police Chief	Randal Baskin
Fire Chief	Alan Barkelew
Director of Public Works	Sherry Bennard
Director of Parks and Recreation.....	Griff Fisher

* Year elected term expires

** Designated CMFO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Aldermen of the
City of Munford, Tennessee:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the statement of budgetary comparison for the general fund and state street aid fund, and the aggregate remaining fund information of the City of Munford, Tennessee, (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and state street aid fund, and the aggregate remaining fund information of the City of Munford, Tennessee, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Munford's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance, as presented in the government auditing standards section, is presented for purposes of additional analysis as required by the State of Tennessee Comptroller of the Treasury, *Audit Manual*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, the schedule of expenditures of federal awards and state financial assistance, and supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2022, on our consideration of the City of Munford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Munford's internal control over financial reporting and compliance.



Memphis, Tennessee
June 3, 2022

CITY OF MUNFORD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

As management of the City of Munford, Tennessee (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 fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal and notes to the financial statements. All amounts are expressed in actual dollars. Comparative analyses of key elements of total governmental funds and total enterprise funds have been provided.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$26,361,793 (net position). Of this amount, \$9,357,319 (unrestricted net position) may be used to meet the government's ongoing obligation to citizens and creditors.
- The City's total net position increased by \$603,610 due to deficits in governmental activities of \$141,823 offset by income in business-type activities of \$745,433.
- At June 30, 2021, the City's governmental funds reported combined ending fund balances of \$2,365,170, an increase of \$294,215 in comparison with the prior year. Approximately 79.8% of this amount is available for spending at the government's discretion (committed, assigned or unassigned fund balance). At June 30, 2021 unassigned fund balance for the General Fund was \$1,718,086, or 37.1% of General Fund expenditures.
- The City's total debt decreased by \$35,294 (1%) during the current fiscal year. The City previously issued \$1,600,000 in pooled financing bonds through the Tennessee Municipal Bond Fund of which an additional \$561,550 was drawn during the year ended June 30, 2020. The City paid down \$596,844 in existing debt obligations in FY 2021 of which \$240,335 related to governmental activity debt, \$356,509 related to business-type activity debt.

Overview of the Financial Statements

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

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

The government-wide financial statements are:

- **Statement of Net Position** -- presents information on all of the City's assets and deferred outflows and liabilities and deferred inflows, 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 net position of the City is improving or deteriorating.
- **Statement of Activities** -- presents information showing how the City's net position changed during the most recent fiscal year. All current year revenues and expenses are taken into account 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 leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, solid waste, highways and streets, and health, welfare, and recreation. The business-type activities of the City include the operations of the water and sewer system and gas system.

CITY OF MUNFORD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2021

The government-wide financial statements can be found on pages 10 and 11 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 the 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 maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and State Street Aid Fund which are considered to be a major funds. Data for the other two funds is combined into a single column with individual fund data for each of these non-major governmental funds provided in the form of combining and individual fund statements elsewhere in this report.

The City of Munford adopts an annual appropriation budget for its general and special revenue funds. A budgetary comparison statement has been provided for the General Fund and State Street Aid Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 12 and 14 of this report.

Proprietary funds -- Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City maintains one type of proprietary fund: an enterprise fund.

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, but provide more detail and additional information, such as cash flow analysis. The City uses enterprise funds to account for its Water and Sewer activities and Gas activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The business-type activities related to the Water and Sewer Fund and Gas Fund are presented in individual columns of the proprietary fund financial statements as both are considered major funds.

The basic proprietary fund financial statements can be found on pages 21 through 23 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 41 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. The required supplementary information (RSI) provides additional information regarding the City's employee retirement system funding progress.

CITY OF MUNFORD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2021

Combining and Individual Fund Statements and Schedules: Combining schedules provide detail in connection with non-major governmental funds referred to earlier. Combining and individual fund statements and schedules can be found on pages 44 thru 47 of this report.

Government-wide Financial Analysis

Net Position: Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$26,361,793 at the close of the most recent fiscal year, an increase of \$603,610 (2.34%) from last year.

The largest portion of the City's net position (62.3%) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment). 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.

	Condensed Statement of Net Position					
	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 4,088,523	\$ 3,663,480	\$ 9,012,484	\$ 9,048,998	\$ 13,101,007	\$ 12,712,478
Capital assets	7,336,160	7,431,021	14,071,531	13,528,564	21,407,691	20,959,585
Total Assets	11,424,683	11,094,501	23,084,015	22,577,562	34,508,698	33,672,063
Deferred Outflows of Resources	331,261	293,137	136,782	116,497	468,043	409,634
Long-term liabilities outstanding	2,485,757	2,170,284	3,975,136	4,099,914	6,460,893	6,270,198
Other liabilities	202,796	138,627	451,724	336,385	654,520	475,012
Total Liabilities	2,688,553	2,308,911	4,426,860	4,436,299	7,115,413	6,745,210
Deferred Inflows of Resources	1,490,115	1,536,067	9,420	42,237	1,499,535	1,578,304
Net Asset						
Invested in capital assets	6,158,512	6,032,779	10,273,298	9,536,242	16,431,810	15,569,021
Restricted	572,664	601,035	-	-	572,664	601,035
Unrestricted	846,100	908,846	8,511,219	8,679,281	9,357,319	9,588,127
Total Net Position	\$ 7,577,276	\$ 7,542,660	\$ 18,784,517	\$ 18,215,523	\$ 26,361,793	\$ 25,758,183

An additional portion of the City's net position (2.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$9,357,319 may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2021, the City is able to report positive balances in all three categories of net position for the government as a whole. Governmental activities reflected positive unrestricted amount of \$846,100 as a component of net position while business-type activities reflected a positive component of \$8,511,219. The City maintains a practice of providing adequate reserves for payment of debt service and capital projects while funding current operations with current revenue sources.

Changes in Net Position: Governmental activities increased the City's net position by \$34,616 while business-type activities increased the City's net position by \$568,994 resulting in a total increase of \$603,610.

CITY OF MUNFORD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2021

	Condensed Statement of Activities					
	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	\$ 1,071,282	\$ 884,366	\$ 6,555,224	\$ 5,815,973	\$ 7,626,506	\$ 6,700,339
Operating grants and contributions	403,330	218,682	-	-	403,330	218,682
Capital grants and contributions	214,306	38,213	368,520	66,500	582,826	104,713
General Revenues:						
Property taxes	1,470,649	1,480,535	-	-	1,470,649	1,480,535
Other taxes	1,328,139	1,062,371	-	-	1,328,139	1,062,371
Intergovernmental	906,060	819,929	-	-	906,060	819,929
Interest on investments	12,374	9,949	78,770	121,228	91,144	131,177
Other revenue	37,027	16,156	12,902	12,854	49,929	29,010
Total Revenues	5,443,167	4,530,201	7,015,416	6,016,555	12,458,583	10,546,756
Expenses:						
General government	\$ 276,230	\$ 223,825	\$ -	\$ -	\$ 276,230	\$ 223,825
Public safety	2,924,296	2,770,076	-	-	2,924,296	2,770,076
Solid waste	380,563	411,514	-	-	380,563	411,514
Highways and streets	903,368	672,490	-	-	903,368	672,490
Parks and recreation	1,043,520	909,266	-	-	1,043,520	909,266
Interest and fiscal charges	57,013	46,628	-	-	57,013	46,628
Water and sewer	-	-	2,445,429	2,260,272	2,445,429	2,260,272
Gas	-	-	3,824,554	3,274,453	3,824,554	3,274,453
Total Expenses	5,584,990	5,033,799	6,269,983	5,534,725	11,854,973	10,568,524
Increase/(Decrease) in net position before transfers	(141,823)	(503,598)	745,433	481,830	603,610	(21,768)
Transfers	176,439	177,341	(176,439)	(177,341)	-	-
Increase/(Decrease) in net position	34,616	(326,257)	568,994	304,489	603,610	(21,768)
Net position, beginning	7,542,660	7,868,917	18,215,523	17,911,034	25,758,183	25,779,951
Net position, ending	\$ 7,577,276	\$ 7,542,660	\$ 18,784,517	\$ 18,215,523	\$ 26,361,793	\$ 25,758,183

Governmental Activities: Current fiscal year revenues for the City's governmental activities were \$5,443,167 compared to \$4,530,201 last year. Expenses for the same period were \$5,584,990 compared to \$5,033,799 last year.

Expenses in governmental activities increased approximately \$552,000 primarily attributable to an increase in non-capital public safety expenditures of approximately \$154,000, non-capital highways and street expenditures of approximately \$231,000, and non-capital parks and recreation expenditures of approximately \$134,000.

Business-type activities: Business-type activities increased the City's net position by \$568,994 compared the prior year increase to net position of \$304,489.

CITY OF MUNFORD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2021

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to help control and manage money for particular purposes or to ensure and demonstrate compliance with finance-related legal requirements. The following provides a more detailed analysis of the City's funds.

Governmental funds: Governmental funds focus on providing 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 \$2,365,170, an increase of \$294,215, in comparison with the prior year. Approximately 72.64% of this total amount (\$1,718,086 constitutes unassigned fund balance, which is available for spending at the government's discretion. All of the governmental funds reported a positive ending fund balance.

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 \$1,718,086, while total fund balance was \$1,792,506. The only other category of fund balance for the General Fund was assigned totaling \$74,420. Assigned includes amounts set assigned for the library and a dog park. 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 37.1% of total General Fund expenditures.

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

Unrestricted net position for the Water and Sewer fund at the end of the year amounted to \$641,192, a decrease of \$137,280 from the prior year. Unrestricted net position of the Gas fund at the end of the year amounted to \$7,870,027, a decrease of \$30,782 from the prior year. Other factors concerning the finances have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, total excess of revenues under expenditures was \$138,502, which was \$63,815 more than the final budgeted excess change of \$74,687. Actual total revenue and other financing sources were \$58,019 higher than the final budgeted total revenue and other financing sources, representing a positive budget variance. Actual expenditures were slightly less than expected, \$5,796, representing a positive budget variance.

CITY OF MUNFORD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2021

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, 2021 amounts to \$21,407,691 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, vehicles, roads, highways, construction in progress, and other infrastructure. The total increase in City's investment in capital assets for the current fiscal year was \$448,106. Depreciation expense for the year was \$455,236.

The following table summarizes the City's capital assets, net of accumulated depreciation, for the years ended June 30, 2021 and 2020.

	Condensed Statement of Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,069,734	\$ 1,069,734	\$ 1,388,247	\$ 1,174,275	\$ 2,457,981	\$ 2,244,009
Buildings and improvements	3,274,302	3,400,399	407,058	428,877	3,681,360	3,829,276
Vehicles and equipment	945,069	886,414	1,025,376	930,467	1,970,445	1,816,881
Utility system	-	-	10,710,047	10,729,542	10,710,047	10,729,542
Infrastructure	1,831,238	1,980,656	-	-	1,831,238	1,980,656
Construction in progress	215,817	93,818	540,803	265,403	756,620	359,221
Total capital assets, net	<u>\$ 7,336,160</u>	<u>\$ 7,431,021</u>	<u>\$ 14,071,531</u>	<u>\$ 13,528,564</u>	<u>\$ 21,407,691</u>	<u>\$ 20,959,585</u>

Additional information can be found in Note 6 of this report.

Long-term debt: At the end of the current fiscal year, the City had total debt outstanding of \$5,833,358. The City's total debt decreased \$35,294 during the current fiscal year. Additional information on the City's long-term debt can be found at Note 7 of the notes to the financial statements of this report.

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the City's budget for the 2022 fiscal year are discussed fully in the budget document and include:

- The City uses conservative revenue forecasts for budgeting purposes. The primary source of funds remains property taxes. The potential impact of economic conditions in the area has been taken into consideration in projecting resources. Property tax revenues were projected to increase with significant increases in property values and a slight decrease in property tax rate. The property tax rate for FY2022 is set at \$1.1695 per hundred of assessed valuation.
- Sales tax and other state shared revenue are projected to increase as economic growth improves. The City has proposed FY2022 sales tax revenues just below actual sales tax revenues in FY2021.
- The City is continuing to monitor operations of its Water/Sewer Fund to ensure rates are sufficient to recover all costs of the system. Water and sewer rates are now increased annually based on the greater of 1% or the annual CPI adjustment.
- The City adopted a General Fund operating budget of \$4.43 million for FY2022 which is a 6.72% increase from the FY2021 General Fund budget. There is no scheduled use of unassigned fund balance in FY2022.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Manager, 1397 Munford Avenue, Munford, Tennessee 38058.

BASIC FINANCIAL STATEMENTS

CITY OF MUNFORD, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,484,054	\$ 3,508,747	\$ 4,992,801
Investments	348,353	4,814,520	5,162,873
Receivables			
Taxes	1,654,959	-	1,654,959
Customer accounts	53,934	479,803	533,737
Grants	59,861	-	59,861
Other	330,247	3,983	334,230
Less allowance for doubtful accounts	(186,639)	(171,184)	(357,823)
Due from other governments	375,262	1,365	376,627
Internal balances	(32,708)	32,708	-
Inventories	-	159,290	159,290
Restricted cash	1,200	183,252	184,452
Capital assets, not being depreciated	1,285,551	1,929,050	3,214,601
Capital assets, being depreciated, net	6,050,609	12,142,481	18,193,090
Total assets	<u>11,424,683</u>	<u>23,084,015</u>	<u>34,508,698</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	331,261	136,782	468,043
LIABILITIES			
Accounts payable and accrued liabilities	91,708	228,250	319,958
Accrued interest payable	19,165	-	19,165
Accrued payroll	90,723	39,705	130,428
Customer deposits	1,200	105,472	106,672
Unearned revenue	-	78,297	78,297
Noncurrent liabilities:			
Due within one year	310,334	390,889	701,223
Due in more than one year			
Other liabilities	1,914,478	3,476,498	5,390,976
Net pension liability	260,945	107,749	368,694
Total liabilities	<u>2,688,553</u>	<u>4,426,860</u>	<u>7,115,413</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	1,467,300	-	1,467,300
Related to pension	22,815	9,420	32,235
Total deferred inflows of resources	<u>1,490,115</u>	<u>9,420</u>	<u>1,499,535</u>
NET POSITION			
Net investment in capital assets	6,158,512	10,273,298	16,431,810
Restricted for:			
Streets	477,627	-	477,627
Solid waste	75,398	-	75,398
Drug enforcement	19,639	-	19,639
Unrestricted	846,100	8,511,219	9,357,319
Total net position	<u>\$ 7,577,276</u>	<u>\$ 18,784,517</u>	<u>\$ 26,361,793</u>

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

CITY OF MUNFORD, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 276,230	\$ 303,225	\$ 163,734	\$ 90,900	\$ 281,629	\$ -	\$ 281,629
Public safety	2,924,296	11,186	16,729	795	(2,895,586)	-	(2,895,586)
Solid waste	380,563	392,627	-	-	12,064	-	12,064
Highways and streets	903,368	-	221,118	122,611	(559,639)	-	(559,639)
Parks and recreation	1,043,520	364,244	1,749	-	(677,527)	-	(677,527)
Interest on long-term debt	57,013	-	-	-	(57,013)	-	(57,013)
Total governmental activities	5,584,990	1,071,282	403,330	214,306	(3,896,072)	-	(3,896,072)
Business-type activity:							
Water and sewer	2,445,429	2,419,161	-	368,520	-	342,252	342,252
Gas	3,824,554	4,136,063	-	-	-	311,509	311,509
Total business-type activities	6,269,983	6,555,224	-	368,520	-	653,761	653,761
Total primary government	\$ 11,854,973	\$ 7,626,506	\$ 403,330	\$ 582,826	(3,896,072)	653,761	(3,242,311)
General revenues:							
Property taxes					1,470,649	-	1,470,649
Local option sales tax					1,152,181	-	1,152,181
Other taxes							
Wholesale liquor and beer taxes					162,128	-	162,128
Cable TV tax					13,830	-	13,830
Intergovernmental revenues:							
State sales tax					649,994	-	649,994
State income tax					11,009	-	11,009
Other intergovernmental revenue					245,057	-	245,057
Other revenue					29,382	6,273	35,655
Interest on investments					12,374	78,770	91,144
Gain on sale of capital assets					7,645	1,459	9,104
Insurance recoveries					-	5,170	5,170
Transfers					176,439	(176,439)	-
Total general revenues and transfers					3,930,688	(84,767)	3,845,921
Change in net position					34,616	568,994	603,610
Net position - beginning					7,542,660	18,215,523	25,758,183
Net position - ending					\$ 7,577,276	\$ 18,784,517	\$ 26,361,793

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

CITY OF MUNFORD, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,258,041	\$ 140,640	\$ 85,373	\$ 1,484,054
Investments - certificates of deposit	348,353	-	-	348,353
Receivables				
Taxes	1,654,959	-	-	1,654,959
Customer	-	-	53,934	53,934
Grants	59,861	-	-	59,861
Other	30,924	296,270	3,053	330,247
Less allowance for doubtful accounts	(166,425)	-	(20,214)	(186,639)
Due from other governments	334,545	40,717	-	375,262
Due from other funds	36,539	-	23,895	60,434
Cash restricted for customer accounts	1,200	-	-	1,200
	<u>\$ 3,557,997</u>	<u>\$ 477,627</u>	<u>\$ 146,041</u>	<u>\$ 4,181,665</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 46,210	\$ -	\$ 45,498	\$ 91,708
Accrued payroll	90,723	-	-	90,723
Customer deposits	1,200	-	-	1,200
Due to other funds	87,636	-	5,506	93,142
Total liabilities	<u>225,769</u>	<u>-</u>	<u>51,004</u>	<u>276,773</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Taxes	1,476,261	-	-	1,476,261
FUND BALANCES				
Restricted	-	477,627	95,037	572,664
Assigned	74,420	-	-	74,420
Unassigned	1,718,086	-	-	1,718,086
Total fund balances	<u>1,792,506</u>	<u>477,627</u>	<u>95,037</u>	<u>2,365,170</u>
	<u>\$ 3,557,997</u>	<u>\$ 477,627</u>	<u>\$ 146,041</u>	<u>\$ 4,181,665</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,557,997</u>	<u>\$ 477,627</u>	<u>\$ 146,041</u>	<u>\$ 4,181,665</u>

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

CITY OF MUNFORD, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET POSITION
June 30, 2021

Total fund balances, governmental funds	\$ 2,365,170
Amounts reported for governmental activities in the statement of net position are different because:	
(1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,336,160
(2) Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned or unavailable in the funds.	72,422
(3) Long-term debt is not due and payable in the current period and, therefore is not reported in the funds.	
Less: debt payable	(2,028,363)
Less: capital lease payable	(6,762)
(4) Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Less: accrued interest payable	(19,165)
Less: compensated absences payable	(189,687)
	<u>(208,852)</u>
(5) Net pension assets are not a financial resource in the current period and net pension liabilities and net other postemployment liabilities are not payable with current financial resources and, therefore, are not reported in the funds.	
Less: net pension liability	(260,945)
(6) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.	
Add: deferred outflows of resources related to pensions	331,261
Less: deferred inflows of resources related to pensions	(22,815)
	<u>308,446</u>
Net position of governmental activities	<u>\$ 7,577,276</u>

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

CITY OF MUNFORD, TENNESSEE
STATEMENT OF REVENUES EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 1,495,388	\$ -	\$ -	\$ 1,495,388
Local sales taxes	1,328,139	-	-	1,328,139
Intergovernmental				
State sales, income, and other tax	906,060	-	-	906,060
State gas tax	-	221,118	-	221,118
Licenses and permits	44,896	-	-	44,896
Charges for services	490,577	-	392,627	883,204
Fines, forfeitures, and penalties	136,132	-	7,050	143,182
Federal, state and other grants	333,057	-	-	333,057
Donations	-	-	-	-
Interest on investments	9,515	2,543	316	12,374
Other	28,732	-	650	29,382
Total revenues	<u>4,772,496</u>	<u>223,661</u>	<u>400,643</u>	<u>5,396,800</u>
EXPENDITURES				
Current				
General government	171,501	-	-	171,501
Public safety	2,929,545	-	4,430	2,933,975
Solid Waste	-	-	380,563	380,563
Highways and streets	354,046	616,712	-	970,758
Parks and recreation	946,089	-	-	946,089
Debt Service				
Principal	204,032	31,444	-	235,476
Interest	28,781	18,656	-	47,437
Total expenditures	<u>4,633,994</u>	<u>666,812</u>	<u>384,993</u>	<u>5,685,799</u>
Excess (deficiency) of revenues over (under) expenditures	138,502	(443,151)	15,650	(288,999)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	7,645	-	-	7,645
Debt issuance	-	399,130	-	399,130
Insurance recoveries	-	-	-	-
Transfers in	176,439	-	-	176,439
Total other financing sources and uses	<u>184,084</u>	<u>399,130</u>	<u>-</u>	<u>583,214</u>
Net change in fund balances	322,586	(44,021)	15,650	294,215
Fund balances - beginning	<u>1,469,920</u>	<u>521,648</u>	<u>79,387</u>	<u>2,070,955</u>
Fund balances - ending	<u>\$ 1,792,506</u>	<u>\$ 477,627</u>	<u>\$ 95,037</u>	<u>\$ 2,365,170</u>

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

CITY OF MUNFORD, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Net change in fund balance - total governmental funds		\$ 294,215
Amounts reported for governmental activities in the statement of activities are different because:		
(1) Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Add: capital outlays capitalized	360,375	
Less: depreciation expense	<u>(455,236)</u>	(94,861)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		38,722
(3) The issuance of long-term debt (e.g. bonds, notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Add: principal payments on long-term debt	235,476	
Less: proceeds from issuance of long-term debt	(399,130)	
Add: principal payments on capital lease	<u>4,859</u>	(158,795)
(4) 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.		
Change in accrued interest payable	(9,576)	
Change in compensated absences	<u>(27,317)</u>	(36,893)
(5) Payments of contributions to the pension plan are recorded as expenditures in the governmental funds. Pension expense is recorded on an actuarially determined basis in the statement of activities.		
Difference between actual contributions and pension expense		<u>(7,772)</u>
Change in net position of governmental activities		<u>\$ 34,616</u>

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

CITY OF MUNFORD, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
PROPERTY TAXES				
Property tax	\$ 1,435,770	\$ 1,400,000	\$ 1,418,107	\$ 18,107
Property tax - prior year	80,238	75,437	78,072	2,635
Property tax interest and penalties	14,000	14,000	(791)	(14,791)
Total property taxes	<u>1,530,008</u>	<u>1,489,437</u>	<u>1,495,388</u>	<u>5,951</u>
LOCAL TAXES				
Local sales tax	746,925	1,122,038	1,152,181	30,143
Wholesale beer and liquor tax	133,500	159,718	162,128	2,410
CATV franchise tax	12,000	13,830	13,830	-
Total local taxes	<u>892,425</u>	<u>1,295,586</u>	<u>1,328,139</u>	<u>32,553</u>
INTERGOVERNMENTAL				
State of Tennessee shared taxes				
Sales	488,800	633,107	649,994	16,887
Income taxes	5,131	11,009	11,009	-
Beer tax	2,933	2,893	2,893	-
Petroleum tax	10,000	11,550	12,130	580
Receipts in lieu of tax - TVA	72,098	69,841	69,841	-
Reimbursements	20,800	21,600	21,600	-
County allocations	130,127	133,256	133,256	-
Atoka reimbursements	1,475	1,582	1,597	15
Other local taxes	1,580	2,460	3,740	1,280
Total state shared taxes	<u>732,944</u>	<u>887,298</u>	<u>906,060</u>	<u>18,762</u>
LICENSES AND PERMITS				
Building and related permits	46,000	40,206	40,206	-
Beer and liquor licenses	1,500	800	800	-
Other	3,850	3,890	3,890	-
Total licenses and permits	<u>51,350</u>	<u>44,896</u>	<u>44,896</u>	<u>-</u>
CHARGES FOR SERVICES				
Planning commission fees	18,000	121,439	123,297	1,858
Police charges	4,600	2,576	2,276	(300)
Fire charges	3,000	1,860	1,860	-
Recreation fees	132,735	97,888	98,138	250
Concessions	12,000	8,752	8,752	-
Centennial Park charges	128,100	125,420	125,420	-
Rental revenue	142,616	120,026	120,122	96
Library fees	6,050	5,162	5,162	-
Community development fees	5,250	5,550	5,550	-
Total charge for services	<u>452,351</u>	<u>488,673</u>	<u>490,577</u>	<u>1,904</u>

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

CITY OF MUNFORD, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
FINES, FORFEITURES, AND PENALTIES				
Court fines	\$ 132,000	\$ 134,440	\$ 134,440	\$ -
Code enforcement	7,000	592	592	-
Other	250	1,100	1,100	-
Total fines, forfeitures, and penalties	<u>139,250</u>	<u>136,132</u>	<u>136,132</u>	<u>-</u>
FEDERAL AND STATE GRANTS	172,235	334,207	333,057	(1,150)
INTEREST ON INVESTMENTS	5,002	9,516	9,515	(1)
OTHER	-	28,732	28,732	-
Total Revenues	<u>3,975,565</u>	<u>4,714,477</u>	<u>4,772,496</u>	<u>58,019</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative				
Salaries	46,417	47,316	46,095	1,221
Benefits	16,435	13,625	13,492	133
Operations	10,821	18,583	18,087	496
Capital outlay	-	1,860	1,860	-
Allocations	(47,888)	(49,645)	(48,515)	(1,130)
	<u>25,785</u>	<u>31,739</u>	<u>31,019</u>	<u>720</u>
Judicial				
Salaries	4,500	6,000	6,000	-
Benefits	344	500	459	41
Operations	12,200	7,905	7,767	138
	<u>17,044</u>	<u>14,405</u>	<u>14,226</u>	<u>179</u>
Administrative				
Salaries	381,507	389,805	389,392	413
Benefits	129,343	110,068	109,384	684
Operations	190,681	205,707	206,188	(481)
Capital outlay	-	7,184	7,184	-
Allocations	(659,438)	(641,488)	(637,869)	(3,619)
	<u>42,093</u>	<u>71,276</u>	<u>74,279</u>	<u>(3,003)</u>
Code enforcement				
Salaries	54,057	58,775	58,749	26
Benefits	19,780	20,750	20,411	339
Operations	18,221	25,210	24,793	417
Allocations	(46,028)	(52,368)	(51,976)	(392)
	<u>46,030</u>	<u>52,367</u>	<u>51,977</u>	<u>390</u>
Total general government	<u>130,952</u>	<u>169,787</u>	<u>171,501</u>	<u>(1,714)</u>

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

CITY OF MUNFORD, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
PUBLIC SAFETY				
Police services				
Salaries	\$ 895,690	\$ 945,510	\$ 944,916	\$ 594
Benefits	360,293	325,068	324,387	681
Operations	218,973	224,620	223,068	1,552
Capital outlay	57,400	107,840	107,835	5
	<u>1,532,356</u>	<u>1,603,038</u>	<u>1,600,206</u>	<u>2,832</u>
Fire services				
Salaries	641,759	773,000	772,855	145
Benefits	275,625	267,150	266,476	674
Operations	164,004	192,350	188,127	4,223
Capital outlay	96,446	101,881	101,881	-
	<u>1,177,834</u>	<u>1,334,381</u>	<u>1,329,339</u>	<u>5,042</u>
Total public safety	<u>2,710,190</u>	<u>2,937,419</u>	<u>2,929,545</u>	<u>7,874</u>
HIGHWAYS AND STREETS				
Operations	89,542	234,286	230,881	3,405
Capital outlay	-	123,165	123,165	-
Total highways and streets	<u>89,542</u>	<u>357,451</u>	<u>354,046</u>	<u>3,405</u>
PARKS AND RECREATION				
Parks and recreation				
Salaries	201,174	188,700	188,095	605
Benefits	81,868	59,497	59,234	263
Operations	81,555	71,818	69,514	2,304
Capital outlay	-	20,510	20,510	-
	<u>364,597</u>	<u>340,525</u>	<u>337,353</u>	<u>3,172</u>
Programs				
Operations	62,850	59,264	58,873	391
Centennial Park				
Salaries	106,019	101,795	101,730	65
Benefits	47,068	43,575	43,370	205
Operations	173,915	154,389	149,430	4,959
	<u>327,002</u>	<u>299,759</u>	<u>294,530</u>	<u>5,229</u>
Library				
Salaries	52,250	61,800	61,699	101
Benefits	23,361	23,140	22,900	240
Operations	17,838	15,075	13,843	1,232
Capital outlay	2,000	2,412	2,412	-
	<u>95,449</u>	<u>102,427</u>	<u>100,854</u>	<u>1,573</u>

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

CITY OF MUNFORD, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Tipton Plaza				
Operations	\$ 44,194	\$ 31,005	\$ 27,324	\$ 3,681
Capital outlay	23,000	23,000	23,000	-
	<u>67,194</u>	<u>54,005</u>	<u>50,324</u>	<u>3,681</u>
City Parks				
Operations	37,290	36,293	33,721	2,572
Capital outlay	-	1,596	22,628	(21,032)
	<u>37,290</u>	<u>37,889</u>	<u>56,349</u>	<u>(18,460)</u>
Community development				
Salaries	-	500	492	8
Operations	33,837	36,905	35,836	1,069
Capital outlay	-	43,348	43,348	-
Allocations	(13,534)	(32,302)	(31,870)	(432)
	<u>20,303</u>	<u>48,451</u>	<u>47,806</u>	<u>645</u>
Total parks and recreation	<u>974,685</u>	<u>942,320</u>	<u>946,089</u>	<u>(3,769)</u>
DEBT SERVICE				
Principal	211,038	204,032	204,032	-
Interest	39,158	28,781	28,781	-
Total debt service	<u>250,196</u>	<u>232,813</u>	<u>232,813</u>	<u>-</u>
Total Expenditures	<u>4,155,565</u>	<u>4,639,790</u>	<u>4,633,994</u>	<u>5,796</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(180,000)	74,687	138,502	63,815
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	7,645	7,645	-
Transfers in	180,000	176,439	176,439	-
Total Other Financing Sources (Uses)	<u>180,000</u>	<u>184,084</u>	<u>184,084</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 258,771</u>	<u>322,586</u>	<u>\$ 63,815</u>
Fund balances - beginning			<u>1,469,920</u>	
Fund balances - ending			<u>\$ 1,792,506</u>	

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

CITY OF MUNFORD, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
STATE STREET AID FUND**

For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental - state gas tax				
Gas and motor fuel	\$ 100,265	\$ 108,000	\$ 113,524	\$ 5,524
Gas 1989	20,774	17,000	17,699	699
Gas 3 cent	33,300	31,000	32,795	1,795
Gas 2017	41,181	53,000	57,100	4,100
Interest income	1,000	2,543	2,543	-
Total Revenues	<u>196,520</u>	<u>211,543</u>	<u>223,661</u>	<u>12,118</u>
EXPENDITURES				
Highways and Streets				
Operations	<u>350,000</u>	<u>616,940</u>	<u>616,712</u>	<u>228</u>
Total highways and streets	<u>350,000</u>	<u>616,940</u>	<u>616,712</u>	<u>228</u>
Debt Service				
Principal	39,600	31,444	31,444	-
Interest	<u>30,000</u>	<u>18,656</u>	<u>18,656</u>	<u>-</u>
Total debt service	<u>69,600</u>	<u>50,100</u>	<u>50,100</u>	<u>-</u>
Total Expenditures	<u>419,600</u>	<u>667,040</u>	<u>666,812</u>	<u>228</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(223,080)	(455,497)	(443,151)	12,346
OTHER FINANCING SOURCES (USES)				
Issuance of debt	<u>300,000</u>	<u>399,130</u>	<u>399,130</u>	<u>-</u>
Net change in fund balances	<u>\$ 76,920</u>	<u>\$ (56,367)</u>	<u>(44,021)</u>	<u>\$ 12,346</u>
Fund balances - beginning			<u>521,648</u>	
Fund balances - ending			<u>\$ 477,627</u>	

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

CITY OF MUNFORD, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2021

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Gas Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 584,793	\$ 2,923,954	\$ 3,508,747
Investments - certificates of deposit	-	4,814,520	4,814,520
Receivables			
Customers	262,830	216,973	479,803
Other	4,067	(84)	3,983
Less allowance for doubtful accounts	(65,327)	(105,857)	(171,184)
Due from other governments	1,004	361	1,365
Due from other funds	32,820	39,634	72,454
Inventory	-	159,290	159,290
Cash restricted for customer accounts	35,985	69,487	105,472
Cash restricted for construction project	77,780	-	77,780
Total current assets	<u>933,952</u>	<u>8,118,278</u>	<u>9,052,230</u>
Noncurrent assets:			
Capital assets, not being depreciated	1,424,737	504,313	1,929,050
Capital assets, being depreciated, net	7,317,239	4,825,242	12,142,481
Total capital assets (net of accumulated depreciation)	<u>8,741,976</u>	<u>5,329,555</u>	<u>14,071,531</u>
Total assets	<u>9,675,928</u>	<u>13,447,833</u>	<u>23,123,761</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	65,437	71,345	136,782
LIABILITIES			
Current liabilities:			
Accounts payable	120,773	107,477	228,250
Accrued payroll	17,274	22,431	39,705
Customer deposits	35,985	69,487	105,472
Due to other funds	12,909	26,837	39,746
Unearned revenue	77,780	517	78,297
Current portion of bonds and notes payable	244,690	123,379	368,069
Total current liabilities	<u>509,411</u>	<u>350,128</u>	<u>859,539</u>
Noncurrent liabilities:			
Bonds and notes payable, net of current portion, discounts, and premiums	2,223,514	1,206,650	3,430,164
Accrued compensated absences	37,422	31,732	69,154
Net pension liability	51,548	56,201	107,749
Total noncurrent liabilities	<u>2,312,484</u>	<u>1,294,583</u>	<u>3,607,067</u>
Total liabilities	<u>2,821,895</u>	<u>1,644,711</u>	<u>4,466,606</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pension	4,506	4,914	9,420
NET POSITION			
Net investment in capital assets	6,273,772	3,999,526	10,273,298
Unrestricted	641,192	7,870,027	8,511,219
Total net position	<u>\$ 6,914,964</u>	<u>\$ 11,869,553</u>	<u>\$ 18,784,517</u>

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

CITY OF MUNFORD, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Gas Fund	Total
Operating Revenues:			
Metered sales	\$ 2,122,451	\$ 3,868,056	\$ 5,990,507
Service connections fees	292,710	268,007	560,717
Rent	4,000	-	4,000
Insurance recoveries	5,170	-	5,170
Other	633	5,640	6,273
Total operating revenues	<u>2,424,964</u>	<u>4,141,703</u>	<u>6,566,667</u>
Operating Expenses:			
Salaries	476,421	537,117	1,013,538
Benefits	190,022	189,903	379,925
Contracted services	159,779	109,454	269,233
Repairs and maintenance	115,944	40,446	156,390
Materials and supplies	271,014	194,218	465,232
Fixed charges	62,233	18,569	80,802
Utilities	269,076	43,707	312,783
Supplies for resale	-	1,843,962	1,843,962
Other charges	123,331	101,085	224,416
Allocations	269,657	346,894	616,551
Depreciation	451,265	362,714	813,979
Total operating expenses	<u>2,388,742</u>	<u>3,788,069</u>	<u>6,176,811</u>
Operating income	36,222	353,634	389,856
Nonoperating Revenues (Expenses):			
Interest	4,488	74,282	78,770
Bond interest and fiscal charges	(56,687)	(36,485)	(93,172)
Gain on sale of capital assets	1,459	-	1,459
Total nonoperating revenues (expenses)	<u>(50,740)</u>	<u>37,797</u>	<u>(12,943)</u>
Income before contributions and transfers	(14,518)	391,431	376,913
Capital contributions - water taps	193,520	-	193,520
Capital contributions - development	175,000	-	175,000
Transfers out	(56,528)	(119,911)	(176,439)
Change in net position	<u>297,474</u>	<u>271,520</u>	<u>568,994</u>
Total net position - beginning	<u>6,617,490</u>	<u>11,598,033</u>	<u>18,215,523</u>
Total net position - ending	<u>\$ 6,914,964</u>	<u>\$ 11,869,553</u>	<u>\$ 18,784,517</u>

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

CITY OF MUNFORD, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Gas Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,503,308	\$ 4,155,739	\$ 6,659,047
Payments to suppliers	(1,191,005)	(2,716,738)	(3,907,743)
Payments to employees	(657,621)	(711,171)	(1,368,792)
Other receipts	386,558	5,640	392,198
Net cash provided by operating activities	<u>1,041,240</u>	<u>733,470</u>	<u>1,774,710</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES			
Payments to other funds	(101,204)	(156,214)	(257,418)
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	368,520	-	368,520
Purchases of capital assets	(809,184)	(546,303)	(1,355,487)
Proceeds from capital debt issuance	162,420	-	162,420
Principal paid on capital debt	(237,796)	(118,714)	(356,510)
Interest paid on capital debt	(56,687)	(36,484)	(93,171)
Net cash used for capital and related financing activities	<u>(572,727)</u>	<u>(701,501)</u>	<u>(1,274,228)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	4,488	40,166	44,654
Net increase (decrease) in cash and cash equivalents	<u>371,797</u>	<u>(84,079)</u>	<u>287,718</u>
Cash and cash equivalents - beginning of the year	326,761	3,077,520	3,404,281
Cash and cash equivalents - end of the year	<u>\$ 698,558</u>	<u>\$ 2,993,441</u>	<u>\$ 3,691,999</u>
Classified as:			
Current assets	\$ 584,793	\$ 2,923,954	\$ 3,508,747
Restricted assets	113,765	69,487	183,252
	<u>\$ 698,558</u>	<u>\$ 2,993,441</u>	<u>\$ 3,691,999</u>
Reconciliation of operating income to net cash from operating activities:			
Operating income	\$ 36,222	\$ 353,634	\$ 389,856
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	451,265	362,714	813,979
Pension expense in excess of employer contributions	1,308	1,045	2,353
Change in assets and liabilities			
Receivables	466,223	22,514	488,737
Inventory	-	(49,410)	(49,410)
Accounts payable	78,359	27,872	106,231
Accrued compensated absences	7,514	14,804	22,318
Deferred revenue	349	297	646
Net cash provided by operating activities	<u>\$ 1,041,240</u>	<u>\$ 733,470</u>	<u>\$ 1,774,710</u>

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Munford, Tennessee (the “City”) operates under a Board of Mayor and Aldermen form of government.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). As required by GAAP, these financial statements present the government and its component units, legally separate entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of a government’s operations. Under GAAP, the City has determined that there are no component units for which the City is considered financially accountable, to be included in the City’s financial statements.

B. Basis of Presentation

1. Government-Wide 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 and are designed to provide readers with a broad overview of the City’s finances, in a manner similar to private-sector business. 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. Certain eliminations have been made in regard to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and business type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, those transactions between governmental and business-type activities have not been eliminated.

The statement of net position presents information on all the City’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, with the differences presented as net position. Net position is reported as one of three categories: net investment in capital assets, restricted, or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted.

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.

2. Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. The activities of the government are organized into funds, each of which are considered to be separate entities. Each fund is accounted for by providing a set of self-balancing accounts which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures/expenses. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City has presented all major funds that met the quantitative or qualitative qualifications to be reported as a major fund as separate columns in the fund financial statements. The City’s major governmental funds are as follows:

Major Governmental Funds: General Fund, and State Street Aid Fund
Major Proprietary Funds: Water and Sewer Fund, and Gas Fund

Detailed descriptions of these funds are presented below.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and statement of revenues, expenditures, and changes in fund balance individually for all major funds and in the aggregate for the remaining nonmajor funds. An accompanying schedule is presented to reconcile and explain the difference in fund balance and changes in fund balances as presented in these statements to net position and changes in net position presented in the government-wide financial statements. The governmental funds of the City are described below:

- a. **General Fund** – The primary operating fund of the City and accounts for all financial resources of the general government not specifically provided for in other funds. Most of the essential governmental services such as police and fire protection, community services, and general administration are reported in the general fund.
- b. **Special Revenue Funds** – These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted or committed to expenditures for specific purposes. The special revenue funds include the State Street Aid Fund, Drug Fund, and Solid Waste Fund.

4. Proprietary Fund Financial Statements

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows individually for each major enterprise fund.

The proprietary funds of the City are described below:

- a. **Enterprise Fund** – Account for business-like activities provided to the general public. The activities are financed primarily by user charges and the measurement of the financial activity focuses on net income measurement similar to private sector businesses.

Water and Sewer Fund – Accounts for water and sewer fees in connection with the operation of the City's water and sewer system.

Gas Fund – Accounts for gas fees in connection with the operation of the City's gas distribution system.

The proceeds of several bond issues and loans have been used specifically for the construction or acquisition of water and sewer and gas systems and facilities. As it is the intention of the City to repay these bonds and loans through water and sewer fund and gas fund operations, these obligations are reported in these funds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the “economic resources” measurement focus. Accordingly, all of the City's assets and liabilities, including capital assets and long-term liabilities, along with deferred inflows and outflows of resources, are included in the accompanying statement of net position. The statement of activities presents changes in net position.

Proprietary funds are also accounted for using the “economic resources” measurement focus. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included in the statement of net position. The statement of revenues, expenses, and changes in net position presents revenues (additions) and expenses (deductions) in total net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period. These funds use fund balance as their measure of available resources at the end of the period.

Basis of Accounting

The government-wide financial statements are presented using 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. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the water and sewer fund and gas fund are charges to customers for sales and services. Operating expenses are those expenses that are essential to the primary operations of the funds. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available to finance expenditures of the current period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, other local taxes, intergovernmental revenues, and charges for services. Licenses and permits, fines and forfeitures, and miscellaneous revenues are considered to be measurable and available only when cash is received by the City. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The issuance of long-term debt is reported as other financing sources.

D - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

1. Deposits and investments

The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

Investments consist of long-term certificates of deposits and are reported at amortized cost which approximates fair value.

Certain proceeds of bond issues, certain resources set aside for their repayment, as well as certain other cash and investments are classified as restricted assets because their use is limited by applicable bond covenants and/or external parties. The City elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Receivables

All trade and property taxes receivable are shown net of an allowance for uncollectible accounts.

Real and personal property taxes are levied each October 1 for each fiscal year on values assessed as of the prior January 1. The City has an enforceable legal claim as of January 1 (the assessment date). Property taxes are due on December 1 and are considered delinquent after February 28, at which time penalties and interest are assessed and property is available for tax lien. All property taxes are billed and collected by the City.

Property taxes receivable are recognized as of the date the City has an enforceable legal claim. Property taxes are reflected as revenues in the fiscal period for which they are levied, which is the subsequent fiscal year for the current fiscal year's assessment, provided they are received and collected within the current period or within 60 days following the fiscal year end (August 31). 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. Delinquent taxes estimated to be collected subsequent to August 31 are included in the balance sheet as property taxes receivable and a deferred inflow of resources to reflect amounts that were not available as revenues at June 30, 2021. The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the Board of Mayor and Aldermen and collected by the Finance Department.

Receivables due from other governments are primarily from the United States government, the State of Tennessee, and Tipton County, Tennessee. No allowance for uncollectible amounts has been recognized.

Utility revenue is recorded when earned. Customers are billed on the 23rd of each month. The estimated value of services provided but unbilled at year end has been included in the accompanying financial statements.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned as "unearned revenue". At the end of the current fiscal year, unavailable revenue principally represents amounts relating to property taxes.

3. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported 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."

Permanent reallocations of resources between funds of the City are classified as interfund transfers. For the purpose of the statement of activities, all transfers between individual governmental funds have been eliminated.

4. Inventories and prepaid items

Inventories held for resale are valued at the lower of cost or market determined using the first-in, first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of inventory and prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated acquisition value at the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Land, easements, rights-of-way and construction in progress are not depreciated. Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-40 years
Vehicles and equipment	5-20 years
Infrastructure	3-15 years
Water and sewer and gas systems	30-40 years

6. Deferred outflows of resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has qualifying items for reporting in this category. Deferred outflows of resources include those related to pensions.

7. Compensated absences

Compensated absences for accumulated unpaid vacation are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Vacation days earned, not to exceed 240 hours, may be carried forward. Compensated absences are paid out of the general fund and the proprietary funds.

8. Long-term obligations

In the governmental-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. Premiums and discounts are deferred and amortized over the life of the debt using the effective interest method. Debt is reported net of the applicable premium or discount. Debt issuance costs are expensed when incurred.

In the governmental fund financial statements, debt premiums and discounts, issuance costs are recognized in the current period. The face amount of debt 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.

9. Deferred inflows of resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an increase to net position that applies to a future period and is not recognized as an inflow of resources (revenue) until that time. These items are amounts in the governmental funds that were receivable and measurable at year-end but were not available to finance expenditures for the current year. This primarily includes unavailable revenues from property taxes. In addition, deferred inflows of resources include those related to pensions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. *Net position and fund balance*

In the government-wide financial statements and the proprietary fund 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, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, 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 legislations.

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

In the fund financial statements, governmental funds report fund balances in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications consist of the following five components, as applicable:

Nonspendable – amounts that cannot be spent because they are either in a (a) non-spendable form, including items not expected to be converted to cash (i.e. inventories, prepaid amounts, long-term portion of loans and notes receivable), or (b) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

Restricted – amounts constrained to be used for a specific purpose as per external parties, constitutional provision, or enabling legislation.

Committed – amounts constrained to be used for specific purposes by formal action by ordinance adopted by the highest level of decision-making authority (Board of Mayor and Aldermen). Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the Board removes or changes the commitment by taking the same action it employed to impose the commitment.

Assigned – amounts intended to be used by the City for a specific purpose but are neither restricted nor committed. The intent shall be expressed by the Board of Mayor and Aldermen or a designee authorized by the Board of Mayor and Aldermen with authority to assign amounts. The nature of the actions necessary to remove or modify an assignment is not as rigid as required under a committed fund balance classification. The City Recorder has been authorized to assign amounts in the general fund for a specific purpose in accordance with fund balance policy established by the Board of Mayor and Aldermen.

Unassigned – represents the residual balance available for any purpose in the general fund. In other governmental funds, the classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been, restricted, committed, or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position, and additions to/deductions from each plan's fiduciary net position have been determined on the same basis as they are reported by the actuaries. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of each plan. Expenses of the plans, such as investment fees, trustee fees, and audit fees, are paid by the plans. However, certain administrative functions are performed by employees of the City and are not reimbursed by the plans. Investments, other than contracts, are reported at fair value. Investment income is recognized as earned. Plan assets do not include any securities of the City nor have any of the plans made any loans to the City.

12. Fair Value Measurements

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets and liabilities recorded at fair value in the statements of net position are categorized based on the level of judgement associated with the inputs to measure their value. The three categories of level inputs are as follows: Level 1 inputs include unadjusted quoted prices in active markets for identical assets or liabilities accessible at the measurement date. Level 2 inputs include quoted prices for similar assets or liabilities; quoted prices in inactive markets; or other inputs that can be corroborated by observable market data. Such inputs include market interest rates and volatilities, spreads and yield curves. Level 3 inputs are inputs which are unobservable for the asset or liability and rely on management's own assumptions that market participants would use in pricing the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In determining fair value, the City utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at reporting date.

13. 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.

E – New Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 87, *Leases*, was issued to increase the usefulness of financial statements by requiring reporting of certain lease liabilities that currently are not reported, enhance comparability by requiring lessees and lessors to report leases under a single model, and enhance the usefulness of information by requiring notes to the financial statements regarding leasing arrangements. The requirements are effective for fiscal year 2022. The City is currently evaluating the impact that GASB Statement No. 87 may have on its financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The Board of Mayor and Aldermen annually approves the operating budgets of the general, special revenue, and enterprise funds of the City. The total budgets of these funds constitute legal spending limits, requiring ordinance amendment. Transfers within the funds are accomplished by resolution of the Board of Mayor and Aldermen to authorize expenditures of various grants received and to adjust the individual fund budgets as required within the total dollar

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

limitations of the budget ordinance. While no supplemental appropriations were required during the year, the accompanying budgetary data has been revised for amendments authorized by resolution during the year. Unexpended appropriations lapse at year-end. Annual budgets are adopted on a basis consistent with Tennessee Code Annotated, which is not materially different than the modified accrual basis of accounting for all governmental funds. Fund appropriations comprise legal spending limits for governmental funds. The Mayor may approve transfers between line items within a department. Other transfers or requests for additional funds must be approved by the Board.

B. Excess of expenditures over appropriations

For the year ended June 30, 2021, expenditures exceeded budget appropriations in the following General Fund departments: Administrative by \$3,003 and City Parks by \$18,460.

C. Deficit fund equity

As of June 30, 2021, none of the funds had a deficit fund balance.

NOTE 3 - DEPOSITS

Legal Provisions

Deposits must be collateralized by federal depository insurance, the Tennessee Bank Collateral Pool, collateral held by the City's agent in the City's name, collateral held by the Federal Reserve Banks acting as third party agents, or a combination of these methods. State statute requires that all uninsured deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for custodial risk is to follow state guidelines. As of June 30, 2021, all bank deposits were entirely insured by federal depository insurance or collateralized by the Bank Collateral Pool of the State of Tennessee.

NOTE 4 - INVESTMENTS

Legal Provisions

Investments are limited to those authorized by Tennessee State Law. State statutes authorize the City to make direct investments in bonds, notes or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the Local Government Investment Pool ("LGIP"); bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and nonconvertible debt securities of certain federal government sponsored enterprises. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

Certificates of deposit represent 100% of the City's investments at June 30, 2021. These investments with an original maturity of less than 12 months are reported at amortized cost which approximates fair value. These investments with an original maturity of greater than 12 months are reported at fair value and considered level two investments in the fair value hierarchy.

NOTE 5 – INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2021, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds		
General Fund		
Water and Sewer	\$ 10,628	\$ 27,893
Gas	20,405	37,408
Solid Waste	5,506	22,085
Drug	-	250
	<u>36,539</u>	<u>87,636</u>
Water and Sewer Fund		
General	27,893	10,628
Gas	4,927	2,226
Solid Waste	-	55
	<u>32,820</u>	<u>12,909</u>
Gas Fund		
General	37,408	20,405
Water and Sewer	2,226	4,927
Solid Waste	-	1,505
	<u>39,634</u>	<u>26,837</u>
Nonmajor Funds		
Solid Waste		
General	22,085	5,506
Water and Sewer	55	-
Gas	1,505	-
	<u>23,645</u>	<u>5,506</u>
Drug		
General	250	-
	<u>\$ 132,888</u>	<u>\$ 132,888</u>

These balances resulted from the time lag between the dates that the interfund goods and services are provided or reimbursable expenditures occur and when payments between funds are made.

The composition of interfund transfers for the year ended June 30, 2021 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds		
General Fund		
Water and Sewer Fund	\$ 56,528	\$ -
Gas Fund	119,911	-
	<u>176,439</u>	<u>-</u>
Water and Sewer Fund		
General Fund	-	56,528
Gas Fund		
General Fund	-	119,911
	<u>\$ 176,439</u>	<u>\$ 176,439</u>

Transfers out of the enterprise funds represent payments in lieu of taxes.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,069,734	\$ -	\$ -	\$ 1,069,734
Construction in progress	93,818	121,999	-	215,817
Total capital assets, not being depreciated	1,163,552	121,999	-	1,285,551
Capital assets, being depreciated:				
Buildings and improvements	5,260,152	30,500	-	5,290,652
Vehicles and equipment	2,938,785	207,876	(75,112)	3,071,549
Infrastructure	3,352,531	-	-	3,352,531
Total capital assets, being depreciated	11,551,468	238,376	(75,112)	11,714,732
Less accumulated depreciation for:				
Buildings and improvements	(1,859,753)	(156,597)	-	(2,016,350)
Vehicles and equipment	(2,052,371)	(149,221)	75,112	(2,126,480)
Infrastructure	(1,371,875)	(149,418)	-	(1,521,293)
Total accumulated depreciation	(5,283,999)	(455,236)	75,112	(5,664,123)
Total capital assets, being depreciated, net	6,267,469	(216,860)	-	6,050,609
Governmental activities capital assets, net	\$ 7,431,021	\$ (94,861)	\$ -	\$ 7,336,160
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,174,275	\$ 213,972	\$ -	\$ 1,388,247
Construction in progress	265,403	547,265	(271,865)	540,803
Total capital assets, not being depreciated	1,439,678	761,237	(271,865)	1,929,050
Capital assets, being depreciated:				
Buildings and improvements	1,012,966	9,638	-	1,022,604
Vehicles and equipment	5,339,747	253,730	(17,921)	5,575,556
Water plant in operation	8,785,018	76,454	-	8,861,472
Sewer plant in operation	6,418,881	425,591	-	6,844,472
Gas plant in operation	7,590,949	102,161	-	7,693,110
Total capital assets, being depreciated	29,147,561	867,574	(17,921)	29,997,214
Less accumulated depreciation for:				
Buildings and improvements	(584,089)	(31,457)	-	(615,546)
Vehicles and equipment	(4,409,280)	(158,821)	17,921	(4,550,180)
Water plant in operation	(4,494,027)	(222,884)	-	(4,716,911)
Sewer plant in operation	(3,734,557)	(181,280)	-	(3,915,837)
Gas plant in operation	(3,836,722)	(219,537)	-	(4,056,259)
Total accumulated depreciation	(17,058,675)	(813,979)	17,921	(17,854,733)
Total capital assets, being depreciated, net	12,088,886	53,595	-	12,142,481
Business-type activities capital assets, net	\$ 13,528,564	\$ 814,832	\$ (271,865)	\$ 14,071,531

NOTE 6– CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to function/programs of the primary government as follows, for the year ended June 30, 2021:

Governmental Activities:		
General government	\$	93,112
Public safety		185,226
Highways and streets		54,609
Park and recreation		122,289
Total depreciation expense - governmental activities	\$	<u>455,236</u>
Business-type Activities:		
Water and sewer fund	\$	451,265
Gas fund		362,714
Total depreciation expense - business-type activities	\$	<u>813,979</u>

NOTE 7 – LONG-TERM LIABILITIES

1. Long-Term Debt

The City periodically issues debt to fund the acquisition, construction, and improvement of major capital facilities and infrastructure and general government capital projects. This debt has been issued as bond anticipation notes, capital outlay notes and loans through the Tennessee Municipal Bond Fund and the State Revolving Loan Fund. Debt issued by the Water and Sewer system and Gas system is the direct obligation of each business-type activity and is secured by the operation of each fund. The City's full faith, credit and unlimited taxing power are pledged to the repayment of all general obligation debt principal and interest and the City is contingently liable for the repayment of debt incurred by the business-type activities. The City's outstanding notes from direct borrowings contain a provision that in an event of default, outstanding amounts become immediately due if the City is unable to make payment.

On September 29, 2021, the City issued \$1,529,630 in General Obligation Refunding Bonds, Series 2021, maturing on May 1, 2036, with a true interest cost of 2.38%. The proceeds of the bonds were used to refinance the Series 2017 bonds. By issuing the Refunding Series 2021 Bonds, the City obtained an estimated economic gain (difference between the present value of the debt service payments on the defeased debt and the new debt) of \$49,304. The refunding will reduce the City's debt service payments by an estimated \$57,100.

On November 4, 2021, the City issued \$570,355 in Water and Sewer System Revenue and Tax Refunding Bonds, Series 2021, maturing on August 1, 2036, with a true interest cost of 2.54%. The proceeds of the bonds were used to refinance the Series 2004 USDA bonds. By issuing the Refunding Series 2021 Bonds, the City obtained an estimated economic gain of \$94,653. The refunding will reduce the City's debt service payments by an estimated \$166,120.

On November 21, 2021, the City issued \$1,479,479 in General Obligation Refunding Bonds, Series 2021A, maturing on February 1, 2039, with a true interest cost of 2.46%. The proceeds of the bonds were used to refinance the Series 2019 bonds. By issuing the Refunding Series 2021A Bonds, the City obtained an estimated economic gain of \$219,018. The refunding will reduce the City's debt service payments by an estimated \$277,983.

On May 5, 2022, the City issued a \$2,000,000 Water and Sewer Loan through the Public Building Authority of the City of Clarksville, Tennessee. The 25-year loan matures May 1, 2047 and is considered a balloon debt as there is a put option at the end of 10 years. The loan has a fixed interest rate of 3.14% for 10 years at which point it is subject to reset. The loan will be used to finance the extension, construction, improvement, and equipping of the Water and Sewer systems.

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

Debt outstanding as of June 30, 2021 consisted of the following:

	Interest Rates	Maturity Date	Original Issue	Balance Outstanding at Year End
Governmental activities:				
Notes from direct borrowings:				
Tennessee municipal bond fund loans				
Series 2004 ²	0.57% ¹	May 2025	\$ 4,000,000	\$ 1,105,000
Series 2017 ³	3.02% ⁴	May 2036	2,000,000	1,510,000
Series 2019 ⁷	4.27%	February 2039	1,600,000	1,493,000
Capital outlay notes				
Series 2013 ⁵	2.60%	June 2025	1,105,000	368,332
Series 2019	2.60%	August 2022	93,003	62,809
			<u>8,798,003</u>	<u>4,539,141</u>
Less: amounts split with business-type activities			<u>(5,159,387)</u>	<u>(2,510,778)</u>
			<u>\$ 3,638,616</u>	<u>\$ 2,028,363</u>
Business-type activities:				
Other debt:				
Revenue bond				
Series 2000	4.25%	March 2043	\$ 761,000	\$ 571,338
Notes from direct borrowings:				
Tennessee municipal bond fund loans				
Series 2006	0.57% ¹	June 2029	1,000,000	507,000
Series 2009 ⁶	0.91%	December 2031	636,435	209,117
			<u>2,397,435</u>	<u>1,287,455</u>
Add: amounts split with governmental activities			<u>5,159,387</u>	<u>2,510,778</u>
			<u>7,556,822</u>	<u>3,798,233</u>
			<u>\$ 11,195,438</u>	<u>\$ 5,826,596</u>

¹ Variable rate Tennessee Municipal Bond Fund loan rate for June 30, 2021 was 0.57%.

² This note is split between governmental activities and business-type activities with governmental activities paying 40.88% of the note and business-type activities paying 59.12%.

³ This note is split between governmental activities and business-type activities with governmental activities paying 30.88% of the note and business-type activities paying 69.12%.

⁴ This note bears a fixed interest rate of 3.02% for the first 7 years of the 20 year term and then converts to a variable interest rate.

⁵ This note is split between governmental activities and business-type activities with governmental activities paying 51.63% of the note and business-type activities paying 48.37%.

⁶ The loan is to be partially repaid with American Reinvestment and Recovery (ARRA) funds in the amount of \$318,218. A portion of the ARRA funding totaling \$254,574 represents principal forgiveness.

⁷ This note is split between governmental activities and business-type activities with governmental activities paying 57.43% of the note and business-type activities paying 42.57%.

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

Annual debt service requirements to maturity for long-term debt are as follows:

Years Ending June 30	Governmental Activities		Business-Type Activities			
	Direct Borrowings		Direct Borrowings		Other Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 242,575	\$ 23,257	\$ 351,568	\$ 108,341	\$ 16,501	\$ 23,963
2023	249,965	19,841	364,172	101,701	17,216	23,248
2024	224,581	16,352	374,919	94,855	17,963	22,501
2025	231,253	13,660	387,425	87,794	18,741	21,723
2026	66,581	10,920	175,193	80,546	19,553	20,911
2027-2031	373,218	41,313	820,396	314,753	111,237	91,083
2032-2036	449,037	16,497	611,372	164,251	137,521	64,799
2037-2041	191,153	-	141,850	21,803	170,016	32,304
2042-2043	-	-	-	-	62,590	2,259
	<u>\$ 2,028,363</u>	<u>\$ 141,840</u>	<u>\$ 3,226,895</u>	<u>\$ 974,044</u>	<u>\$ 571,338</u>	<u>\$ 302,791</u>

2. Capital Lease

On June 15, 2017, the City entered into a 60-month lease purchase agreement for the acquisition of a vehicle to be used by grounds maintenance. The vehicle has a book value, calculated at the present value of the lease payments, of \$23,892. The lease payable over 60 monthly payments of \$449 for a total of \$26,940 including interest.

The following is a schedule of the future minimum lease payments at June 30:

Years Ending June 30	Amount
2022	\$ 5,388
2023	1,606
Total payments	6,994
Less amount representing interest	(232)
	<u>\$ 6,762</u>

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)**3. Changes in long-term liabilities**

A summary of long-term liability activity, including debt, for the year ended June 30, 2021 is as follows. Additional detailed information is available following the summary.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Direct borrowings	\$ 1,864,709	\$ 399,130	\$ (235,476)	\$ 2,028,363	\$ 242,575
Capital lease	11,621	-	(4,859)	6,762	5,162
Compensated absences	162,370	27,317	-	189,687	62,597
	<u>\$ 2,038,700</u>	<u>\$ 426,447</u>	<u>\$ (240,335)</u>	<u>\$ 2,224,812</u>	<u>\$ 310,334</u>
Business-type activities:					
Direct borrowings	\$ 3,405,169	\$ 162,420	\$ (340,693)	\$ 3,226,896	\$ 351,568
Other debt	587,153	-	(15,816)	571,337	16,501
Compensated absences	55,298	13,856	-	69,154	22,820
	<u>\$ 4,047,620</u>	<u>\$ 176,276</u>	<u>\$ (356,509)</u>	<u>\$ 3,867,387</u>	<u>\$ 390,889</u>

For governmental activities, compensated absences are generally liquidated by the general fund. For business-type activities, compensated absences are expected to be liquidated by the funds accounting for the liabilities.

NOTE 8 – FUND BALANCES BY PURPOSE

Following is more detailed information on the governmental fund balances:

	General Fund	State Street Aid Fund	Other Governmental Funds	Total
Restricted for:				
Street expenditures	\$ -	\$ 477,627	\$ -	\$ 477,627
Solid waste expenditures	-	-	75,398	75,398
Drug enforcement	-	-	19,639	19,639
Total restricted fund balance	-	477,627	95,037	572,664
Assigned to:				
Parks and recreation - dog park	18,447	-	-	18,447
Library	55,973	-	-	55,973
Total assigned fund balance	74,420	-	-	74,420
Unassigned	1,718,086	-	-	1,718,086
Total fund balances	<u>\$ 1,792,506</u>	<u>\$ 477,627</u>	<u>\$ 95,037</u>	<u>\$ 2,365,170</u>

NOTE 9 – PENSIONS

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 Tennessee Consolidated Retirement System (“TCRS”). The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs. 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. For governmental activities, the net pension liability is generally liquidated by the general fund. For business-type activities, the net pension liability is expected to be liquidated by the funds accounting for the liability.

Benefits Provided

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 years of 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 non-service-related disability eligibility. The service related and non-service-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.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	55
Active employees	64
	<hr/>
	146

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. Munford makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2021, the employer contributions for the plan were \$184,229 based on a rate of 5.64 percent of payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City’s 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.

NOTE 9 – PENSIONS (CONTINUED)

A. Actuarial Assumptions

The City’s net pension liability (asset) was measured as of June 30, 2020, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

The total pension liability as of June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of investment expense, including inflation
Cost-of-Living Adjustment	2.25%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement. The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to reflect more closely actual and expected future experience.

Investment Policy

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, 2016 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 2.5 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 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 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 total pension liability.

NOTE 9 – PENSIONS (CONTINUED)

B. Net Pension Liability (Asset)

The components of the net pension liability at June 30, 2020 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at 6/30/19	\$ 7,477,458	\$ 7,293,580	\$ 183,878
Changes for the year:			
Service cost	253,974	-	253,974
Interest	548,061	-	548,061
Differences between expected and actual experience	53,733	-	53,733
Changes in assumptions		-	-
Contributions - employer	-	167,342	(167,342)
Contributions - employees	-	148,353	(148,353)
Net investment income	-	360,927	(360,927)
Benefit payments, including refunds of employee contributions	(343,942)	(343,942)	-
Administrative expenses	-	(5,670)	5,670
Net changes	511,826	327,010	184,816
Balance at 6/30/20	<u>\$ 7,989,284</u>	<u>\$ 7,620,590</u>	<u>\$ 368,694</u>

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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease	Current Rate	1% Increase
Net pension liability (asset)	\$ 1,523,641	\$ 368,694	\$ (562,077)

C. Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

Pension Expense

For the year ended June 30, 2021, the City recognized pension expense of \$194,354.

Deferred Outflows of Resources and Deferred Inflows of Resources.

For the year ended June 30, 2021, 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	\$ 154,583	\$ 32,235
Net difference between projected and actual earnings on pension plan investments	55,499	-
Change in Assumptions	73,732	-
Contributions subsequent to the measurement date of June 30, 2020	184,229	-
Total	<u>\$ 468,043</u>	<u>\$ 32,235</u>

NOTE 9 – PENSIONS (CONTINUED)

The amounts shown above for “Contributions subsequent to the measurement date of June 30, 2020,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2022	\$	9,606
2023		85,106
2024		87,744
2025		51,940
2026		9,512
Thereafter		7,671

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

NOTE 10 - COMMITMENTS AND CONTINGENCIES

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and other unanticipated casualties; and natural disasters. The City considers it more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for certain general liability, workers’ compensation, and property and casualty insurance. As such, the City participates in the Public Entity Partners Risk Management Pool (the “Pool”), which is a public entity risk pool consisting of member political subdivisions of the State of Tennessee that works in many ways like a traditional insurer. Members can obtain typical insurance coverage limits and deductible options at reasonable rates according to their risk tolerance while the Pool provides traditional underwriting, re-insurance, claims processing and loss control services. Unlike commercial insurance, the Pool offers the opportunity to earn a pro-rata refund of the surplus premiums according to the City’s premiums paid and its favorable loss experience in recent years. Each political subdivision that has participated in the Pool is subject to assessment if the funds it paid as premiums are insufficient to meet the obligations of the Pool. The Pool may reinsure through the Local Government Reinsurance Fund of Tennessee or a commercial insurance company.

The City has not incurred any losses in excess of commercial insurance coverage for the past three fiscal years. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
EMPLOYEE PENSION PLAN
Last Ten Fiscal Years June 30

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 253,974	\$ 230,543	\$ 237,623	\$ 223,748	\$ 211,839	\$ 202,772	\$ 175,345
Interest	548,061	516,491	482,547	446,116	409,394	393,797	370,199
Changes of benefit items	-	-	-	-	-	-	-
Differences between expected and actual experience	53,733	12,855	63,713	97,275	74,360	(183,402)	(48,250)
Changes in assumptions	-	-	-	172,044	-	-	-
Benefit payments	(343,942)	(351,803)	(265,428)	(225,457)	(210,302)	(218,254)	(201,882)
Net change in total pension liability	511,826	408,086	518,455	713,726	485,291	194,913	295,412
Total pension liability - beginning	7,477,458	7,069,372	6,550,917	5,837,191	5,351,900	5,156,987	4,861,575
Total pension liability - ending	\$ 7,989,284	\$ 7,477,458	\$ 7,069,372	\$ 6,550,917	\$ 5,837,191	\$ 5,351,900	\$ 5,156,987
Plan Fiduciary Net Position							
Contributions - employer	167,342	163,014	150,137	136,828	129,703	121,740	117,133
Contributions - employee	148,353	138,618	134,861	131,566	124,714	117,322	112,825
Net investment income	360,927	507,367	523,852	639,748	144,874	162,326	747,630
Benefit payments	(343,942)	(351,803)	(265,428)	(225,457)	(210,302)	(218,254)	(201,882)
Administrative expense	(5,670)	(5,410)	(5,704)	(4,995)	(4,429)	(2,770)	(2,223)
Net change in plan fiduciary net position	327,010	451,786	537,718	677,690	184,560	180,364	773,483
Plan fiduciary net position - beginning	7,293,580	6,841,794	6,304,076	5,626,386	5,441,826	5,261,462	4,487,979
Plan fiduciary net position - ending	\$ 7,620,590	\$ 7,293,580	\$ 6,841,794	\$ 6,304,076	\$ 5,626,386	\$ 5,441,826	\$ 5,261,462
Net pension liability	\$ 368,694	\$ 183,878	\$ 227,578	\$ 246,841	\$ 210,805	\$ (89,926)	\$ (104,475)
Plan fiduciary net position as a percentage of the total pension liability	95.39%	97.54%	96.78%	96.23%	96.39%	101.68%	102.03%
Covered payroll	\$ 2,967,054	\$ 2,772,343	\$ 2,671,478	\$ 2,631,306	\$ 2,494,281	\$ 2,341,146	\$ 2,256,506
Net pension liability as a percentage of covered payroll	12.43%	6.63%	8.52%	9.38%	8.45%	-3.84%	-4.63%

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

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
EMPLOYEE PENSION PLAN
Last Ten Fiscal Years June 30

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 184,280	\$ 167,342	\$ 163,014	\$ 150,137	\$ 136,828	\$ 129,703	\$ 121,740	\$ 117,133
Contributions	184,229	167,342	163,014	150,137	136,828	129,703	121,740	117,133
Contribution deficiency (surplus)	\$ 51	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,267,373	\$ 2,967,024	\$ 2,772,343	\$ 2,671,478	\$ 2,631,306	\$ 2,491,281	\$ 2,341,146	\$ 2,256,506
Contributions as a percentage of covered payroll	5.64%	5.64%	5.88%	5.62%	5.20%	5.21%	5.20%	5.19%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

NOTE 1 - VALUATION DATE

Actuarially determined contribution rates for fiscal year 2021 were calculated based on the June 30, 2019 actuarial valuation.

NOTE 2 - 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 method	10-year smoothed within a 20% corridor to market value
Inflation	2.50%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Investment rate of return	7.25%, net of plan investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table
Cost of living adjustments	2.25%

Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.0% to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to 4.0%; and modified mortality assumptions.

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MUNFORD, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	<u>Drug Fund</u>	<u>Solid Waste Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 26,384	\$ 58,989	\$ 85,373
Receivables			
Customer	-	53,934	53,934
Unbilled accounts receivable	-	-	-
Other	-	3,053	3,053
Less allowance for doubtful accounts	-	(20,214)	(20,214)
Due from other funds	250	23,645	23,895
	<u>250</u>	<u>23,645</u>	<u>23,895</u>
Total assets	<u>\$ 26,634</u>	<u>\$ 119,407</u>	<u>\$ 146,041</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 6,995	\$ 38,503	\$ 45,498
Due to other funds	-	5,506	5,506
Total liabilities	<u>6,995</u>	<u>44,009</u>	<u>51,004</u>
FUND BALANCES			
Restricted	<u>19,639</u>	<u>75,398</u>	<u>95,037</u>
Total liabilities and fund balances	<u>\$ 26,634</u>	<u>\$ 119,407</u>	<u>\$ 146,041</u>

CITY OF MUNFORD, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Fund</u>	<u>Solid Waste Fund</u>	
REVENUES			
Charges for services	\$ -	\$ 392,627	\$ 392,627
Fines, forfeitures, and penalties	7,050	-	7,050
Interest income	92	224	316
Other	650	-	650
Total revenues	<u>7,792</u>	<u>392,851</u>	<u>400,643</u>
EXPENDITURES			
Current			
Public safety	4,430	-	4,430
Solid waste	-	380,563	380,563
Total expenditures	<u>4,430</u>	<u>380,563</u>	<u>384,993</u>
Net change in fund balances	3,362	12,288	15,650
Fund balances - beginning	<u>16,277</u>	<u>63,110</u>	<u>79,387</u>
Fund balances - ending	<u><u>\$ 19,639</u></u>	<u><u>\$ 75,398</u></u>	<u><u>\$ 95,037</u></u>

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DRUG FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines, forfeitures, and penalties	\$ 1,500	\$ 7,050	\$ 7,050	\$ -
Other income	-	650	650	-
Interest income	80	92	92	-
Total Revenues	<u>1,580</u>	<u>7,792</u>	<u>7,792</u>	<u>-</u>
EXPENDITURES				
Public Safety				
Operations	<u>1,580</u>	<u>4,433</u>	<u>4,430</u>	<u>3</u>
Total Expenditures	<u>1,580</u>	<u>4,433</u>	<u>4,430</u>	<u>3</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 3,359</u>	3,362	<u>\$ 3</u>
Fund balances - beginning			<u>16,277</u>	
Fund balances - ending			<u>\$ 19,639</u>	

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SOLID WASTE FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 412,145	\$ 391,512	\$ 392,627	\$ 1,115
Interest income	300	224	224	-
Total Revenues	<u>412,445</u>	<u>391,736</u>	<u>392,851</u>	<u>1,115</u>
EXPENDITURES				
Solid Waste				
Operations	217,170	225,112	226,884	(1,772)
Capital outlay	30,000	-	-	-
Allocations	<u>182,365</u>	<u>156,300</u>	<u>153,679</u>	<u>2,621</u>
Total Expenditures	<u>429,535</u>	<u>381,412</u>	<u>380,563</u>	<u>849</u>
Net change in fund balances	<u>\$ (17,090)</u>	<u>\$ 10,324</u>	12,288	<u>\$ 1,964</u>
Fund balances - beginning			<u>63,110</u>	
Fund balances - ending			<u>\$ 75,398</u>	

SUPPORTING SCHEDULES

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
ALL FUNDS
June 30, 2021

Fiscal Year	Water and Sewer System Revenue Tax Bond		Pooled Financing TN Municipal Bond Fund		Pooled Financing TN Municipal Bond Fund		Water and Sewer System State Revolving Loan Fund		Pooled Financing Capital Outlay Note	
	Series 2000		Loan Series 2004		Loan Series 2006		Series 2009		Series 2013	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 16,501	\$ 23,963	\$ 260,000	\$ 6,299	\$ 54,000	\$ 2,890	\$ 19,067	\$ 1,824	\$ 92,083	\$ 9,577
2023	17,216	23,248	271,000	4,817	57,000	2,582	19,241	1,650	92,083	7,182
2024	17,963	22,501	281,000	3,272	59,000	2,257	19,417	1,474	92,083	4,788
2025	18,741	21,723	293,000	1,670	62,000	1,921	19,595	1,296	92,083	2,394
2026	19,553	20,911	-	-	64,000	1,568	19,774	1,117	-	-
2027	20,401	20,063	-	-	67,000	1,203	19,955	936	-	-
2028	21,285	19,179	-	-	70,000	821	20,137	754	-	-
2029	22,207	18,257	-	-	74,000	422	20,321	570	-	-
2030	23,170	17,294	-	-	-	-	20,507	384	-	-
2031	24,174	16,290	-	-	-	-	20,694	197	-	-
2032	25,221	15,243	-	-	-	-	10,409	26	-	-
2033	26,314	14,150	-	-	-	-	-	-	-	-
2034	27,455	13,009	-	-	-	-	-	-	-	-
2035	28,645	11,819	-	-	-	-	-	-	-	-
2036	29,886	10,578	-	-	-	-	-	-	-	-
2037	31,181	9,283	-	-	-	-	-	-	-	-
2038	32,532	7,932	-	-	-	-	-	-	-	-
2039	33,942	6,522	-	-	-	-	-	-	-	-
2040	35,413	5,051	-	-	-	-	-	-	-	-
2041	36,948	3,516	-	-	-	-	-	-	-	-
2042	38,549	1,915	-	-	-	-	-	-	-	-
2043	24,041	344	-	-	-	-	-	-	-	-
	<u>\$ 571,338</u>	<u>\$ 302,791</u>	<u>\$1,105,000</u>	<u>\$ 16,058</u>	<u>\$ 507,000</u>	<u>\$ 13,664</u>	<u>\$ 209,117</u>	<u>\$ 10,228</u>	<u>\$ 368,332</u>	<u>\$ 23,941</u>

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CITY OF MUNFORD, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
ALL FUNDS
June 30, 2021

Fiscal Year	Pooled Financing TN Municipal Bond Fund		Pooled Financing TN Municipal Bond Fund		Pooled Financing TM Municipal Bond Fund		Totals	
	Loan Series 2017		Bond Series 2019		Loan Series 2019		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 81,000	\$ 45,602	\$ 57,000	\$ 63,751	\$ 30,996	\$ 1,656	\$ 610,647	\$ 155,562
2023	84,000	43,156	59,000	61,317	31,813	837	631,353	144,789
2024	86,000	40,618	62,000	58,798	-	-	617,463	133,708
2025	88,000	38,022	64,000	56,151	-	-	637,419	123,177
2026	91,000	35,364	67,000	53,418	-	-	261,327	112,378
2027	94,000	32,616	70,000	50,557	-	-	271,356	105,375
2028	97,000	29,778	73,000	47,568	-	-	281,422	98,100
2029	100,000	26,848	76,000	44,451	-	-	292,528	90,548
2030	103,000	23,828	79,000	41,206	-	-	225,677	82,712
2031	106,000	20,718	83,000	37,832	-	-	233,868	75,037
2032	110,000	17,516	86,000	34,288	-	-	231,630	67,073
2033	113,000	14,194	90,000	30,616	-	-	229,314	58,960
2034	116,000	10,782	94,000	26,773	-	-	237,455	50,564
2035	120,000	7,278	98,000	22,759	-	-	246,645	41,856
2036	121,000	3,654	102,000	18,575	-	-	252,886	32,807
2037	-	-	106,000	14,219	-	-	137,181	23,502
2038	-	-	111,000	9,693	-	-	143,532	17,625
2039	-	-	116,000	4,953	-	-	149,942	11,475
2040	-	-	-	-	-	-	35,413	5,051
2041	-	-	-	-	-	-	36,948	3,516
2042	-	-	-	-	-	-	38,549	1,915
2043	-	-	-	-	-	-	24,041	344
	<u>\$1,510,000</u>	<u>\$ 389,974</u>	<u>\$1,493,000</u>	<u>\$ 676,925</u>	<u>\$ 62,809</u>	<u>\$ 2,493</u>	<u>\$ 5,826,596</u>	<u>\$ 1,436,074</u>

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
June 30, 2021

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 01, 2020	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2021
Governmental Activities									
DIRECT BORROWINGS									
<u>Payable through General Fund</u>									
<u>Capital outlay notes</u>									
Series 2013 - Various Projects	\$ 1,105,000	2.60%	6/3/2013	6/3/2025	\$ 237,721	\$ -	\$ 47,552	\$ -	\$ 190,169
Series 2019 - 3 Police Vehicles	\$ 93,003	2.60%	8/1/2019	8/1/2022	93,003	-	30,194	-	62,809
<u>Tennessee municipal bond fund loans</u>									
Series 2004	\$ 4,000,000	Variable*	12/13/2005	5/30/2025	553,970	-	102,200	-	451,770
Series 2017	\$ 2,000,000	3.02%	5/12/2016	5/25/2036	490,224	-	24,086	-	466,138
<u>Capital Lease</u>									
Public Works Truck	\$ 26,940	5.00%	9/15/2017	8/15/2022	11,621	-	4,859	-	6,762
Total Direct Borrowings Payable through General Fund					\$ 1,386,539	\$ -	\$ 208,891	\$ -	\$ 1,177,648
<u>Payable through State Street Aid Fund</u>									
Series 2019	\$ 1,600,000	4.27%	2/20/2019	2/1/2034	\$ 489,791	\$ 399,130	\$ 31,444	\$ -	\$ 857,477
Total Long-Term Debt for Governmental Activities					\$ 1,876,330	\$ 399,130	\$ 240,335	\$ -	\$ 2,035,125

* Variable rate Tennessee Municipal Bond Fund loan rate for June 30, 2021 was 0.57%.

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
June 30, 2021

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 01, 2020	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2021
Business-Type Activities									
DIRECT BORROWINGS									
<u>Payable through Water and Sewer Fund</u>									
<u>Capital outlay note</u>									
Series 2013 - Various Projects	\$ 1,105,000	2.60%	6/3/2013	6/3/2025	\$ 222,694	\$ -	44,531	\$ -	\$ 178,163
<u>Tennessee municipal bond fund loans</u>									
Series 2004	\$ 4,000,000	Variable*	12/13/2005	5/30/2025	450,063	-	83,000	-	367,063
Series 2006	\$ 1,000,000	Variable*	7/10/2008	6/30/2029	559,000	-	52,000	-	507,000
Series 2009	\$ 636,435	0.91%	1/1/2012	12/1/2031	228,011	-	18,894	-	209,117
Series 2019	\$ 1,600,000	4.27%	2/20/2019	2/1/2034	496,659	162,420	23,556	-	635,523
Total Direct Borrowings Payable through Water and Sewer Fund					\$ 1,956,427	\$ 162,420	\$ 221,981	\$ -	\$ 1,896,866
<u>Payable through Gas Fund</u>									
<u>Tennessee municipal bond fund loans</u>									
Series 2004	\$ 4,000,000	Variable*	12/13/2005	5/30/2025	\$ 350,967	\$ -	64,800	\$ -	\$ 286,167
Series 2017	\$ 2,000,000	3.02%	5/12/2016	5/25/2036	1,097,775	-	53,913	-	1,043,862
Total Direct Borrowings Payable through Gas Fund					\$ 1,448,742	\$ -	\$ 118,713	\$ -	\$ 1,330,029
OTHER DEBT									
<u>Payable through Water and Sewer Fund</u>									
<u>Bonds payable</u>									
Revenue Bond, Series 2005	\$ 761,000	4.25%	3/17/2005	3/17/2043	\$ 587,153	\$ -	15,815	\$ -	\$ 571,338
Total Long-Term Debt for Business-Type Activities					\$ 3,992,322	\$ 162,420	\$ 356,509	\$ -	\$ 3,798,233

* Variable rate Tennessee Municipal Bond Fund loan rate for June 30, 2021 was 0.57%.

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE - BY LEVY YEAR
For the Year Ended June 30, 2021

Year of Levy	Balance June 30, 2020	Assessment	Adjustments/ Abatements	Collections	June 30, 2021
2021	\$ -	\$ 1,516,637	\$ -	\$ -	\$ 1,516,637
2020	1,478,818	-	4,263	(1,429,197)	53,884
2019	55,370	-	(3,296)	(34,717)	17,357
2018	14,734	-	(2,882)	(6,416)	5,436
2017	5,899	-	8,846	(10,887)	3,858
2016	2,229	-	(1,100)	(296)	833
2015	1,959	-	(1,190)	(252)	517
2014	3,962	-	(1,841)	-	2,121
2013	4,595	-	(1,923)	-	2,672
2012	18,400	-	(6,918)	-	11,482
Prior Years	55,150	-	(14,988)	-	40,162
Total	1,641,116	\$ 1,516,637	\$ (21,029)	\$ (1,481,765)	1,654,959
Allowance for uncollectible property taxes	(169,732)				(166,425)
Net receivables	\$ 1,471,384				\$ 1,488,534

PROPERTY TAX RATES AND ASSESSMENTS - LAST 10 YEARS

Year of Levy	Realty and Personalty	Tax Rate per \$100	Levy
2021	\$ 129,682,534	\$ 1.17	\$ 1,516,637
2020	126,448,772	1.17	1,478,818
2019	101,961,680	1.23	1,250,152
2018	100,672,797	1.23	1,234,350
2017	98,745,345	1.23	1,210,998
2016	97,896,770	1.23	1,200,312
2015	95,610,569	1.23	1,172,367
2014	93,776,934	0.98	915,355
2013	97,509,085	0.93	906,670
2012	99,065,197	0.93	921,131

DELINQUENT PROPERTY TAXES

The City of Munford files delinquent property taxes with the Chancery Court on the first business day of April each year once taxes become two years old.

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF TRANSFERS
 For the Year Ended June 30, 2021

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds		
General Fund		
Water and Sewer Fund	\$ 56,528	\$ -
Gas Fund	119,911	-
	<u>176,439</u>	<u>-</u>
Water and Sewer Fund		
General Fund	-	56,528
Gas Fund		
General Fund	-	119,911
	<u>\$ 176,439</u>	<u>\$ 176,439</u>

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF BONDS OF PRINCIPAL OFFICIALS
June 30, 2021

	<u>Amount of Bond/Issuance*</u>
Mayor	
Dwayne Cole	\$ 40,500
City Recorder	
Sherry Yelvington	25,000
Notary (each)*	
Cynthia Gerwig	10,000
Lindsey Moore	10,000
Mary Pinner	10,000
Barbara Younger	10,000

Employees are covered under the City's insurance policy for dishonesty, forgery, alterations, theft, disappearance or destruction, and computer fraud for \$150,000, subject to a \$1,000 deductible per occurrence.

* Notary Public bond coverage is an errors and omissions policy.

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS
 June 30, 2021

As of June 30, 2021, City of Munford, Tennessee served approximately 3,400 water customers, 2,150 sewer customers, and 7,300 gas customers subject to the following rate structure:

Water Rates

Inside City Limits

First 1,000 gallons	\$9.07
Over 1,000 gallons	\$2.75 per 1,000 gallons

Outside City Limits

First 1,000 gallons	\$14.15
Over 1,000 gallons	\$3.93 per 1,000 gallons

Atoka

First 5 million gallons	\$2.24 per 1000 gallons
Over 5 million gallons	\$2.24 per 1000 gallons

Sewer Rates

Inside City Limits

Base charge	\$9.07
First 2,000 gallons	\$4.40 per 1,000 gallons
Next 2,000 gallons	\$4.96 per 1,000 gallons
Over 4,000 gallons	\$5.51 per 1,000 gallons

Outside City Limits

Base charge	\$14.15
First 2,000 gallons	\$4.40 per 1,000 gallons
Next 2,000 gallons	\$4.96 per 1,000 gallons
Over 4,000 gallons	\$5.51 per 1,000 gallons

Gas Rates

\$5.00 base rate	
Per 100 cubic feet	\$0.640

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Beginning Accrued (Deferred)</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Accrued (Deferred)</u>
U.S. Department of Transportation						
<u>Passed through State of Tennessee, Department of Transportation</u>						
Highway Planning and Construction Cluster						
Highway Planning and Construction	20.205	84-LPLM-S3-027	\$ -	\$ 62,750	\$ 121,455	\$ 58,705
Alcohol Open Container Requirements Grant	20.607	15AL-21-120	-	795	1,951	1,156
Total U.S. Department of Transportation			-	63,545	123,406	59,861
U.S. Department of Treasury						
<u>Passed through State of Tennessee</u>						
COVID-19 - Coronavirus Relief Fund (TN CAREs Act)	21.019	N/A	-	90,900	90,900	-
Total Federal Awards			-	154,445	214,306	59,861
State Financial Assistance						
State of Tennessee Governor's Local Support Grant			-	163,734	163,734	-
Total Federal Awards and State Financial Assistance			<u>\$ -</u>	<u>\$ 318,179</u>	<u>\$ 378,040</u>	<u>\$ 59,861</u>

See independent auditor's report and accompanying notes to the schedule.

GOVERNMENT AUDITING STANDARDS SECTION

CITY OF MUNFORD, TENNESSEE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 For the Year Ended June 30, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant activity of the City of Munford, Tennessee (the City) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of the State of Tennessee Comptroller of the Treasury, *Audit Manual*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 2) Pass-through entity identifying numbers are presented where available.
- 3) There were no federal awards passed through to subrecipients.
- 4) The City has elected not to use the *de minimis* indirect cost rate as allowed under the Uniform Guidance.

NOTE C – RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE TO THE FINANCIAL STATEMENTS

The following is a reconciliation of expenditures per the schedule of expenditures of federal awards and state financial assistance to the revenue balances in the City’s financial statements:

Total grant revenue per governmental funds financial statements	\$ 333,057
Add: Increase in unavailable revenue at the fund level	59,861
Less: Non-federal and non-state grants	<u>(14,878)</u>
Total federal awards and state financial assistance	<u><u>\$ 378,040</u></u>

**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 Mayor and Board of Aldermen of the
City of Munford, Tennessee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and state street aid fund, and the aggregate remaining fund information of the City of Munford, Tennessee (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 3, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

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

matters that are required to be reported under the *State of Tennessee Department of Audit, Audit Manual*, which is described in the accompanying Schedule Findings and Questioned Costs as item 2021-001– 2021-003.

Response to Finding

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Watkins Mikusall, PLLC". The signature is written in a cursive, flowing style.

Memphis, Tennessee
June 3, 2022

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2021

A. COMPLIANCE AND OTHER MATTERS

2021-001 Expenditures in Excess of Budget

Condition: During the audit, an adjustment to the recognized expense incurred in the correct period. As a result of the adjustment, expenditures exceeded the appropriated budget for the City Parks department in the General Fund.

Criteria: Expenditures should be kept within amounts appropriated in the budget ordinance and any amendments thereto.

Effect: Expenditures were in excess of approved amounts.

Recommendation: Expenditures should not be incurred in amounts that exceed the budget. We recommend the City amend the budget for errors made.

Management Comments: See management's corrective action plan.

2021-002 Accounting Records Not Closed within Two Months of Fiscal Year End

Condition: The accounting records were not properly close within the designated time frame.

Criteria: In accordance with the State of Tennessee Audit Manual, Section 9-2-102, municipalities should close their records within two months after fiscal year end.

Effect: The delay in the accounting close resulted in a delay of a completed audit.

Recommendation: Management should develop a close schedule in order to mitigate a future delayed close.

Management Comments: See management's corrective action plan.

2021-003 Audited Financials Were Not Filed by December 31

Condition: The audited financial statements were not filed with the State of Tennessee by December 31.

Criteria: In accordance with the State of Tennessee Audit Manual, Section A, audited financial reports should be submitted no later than six months following the fiscal year end.

Effect: The audited financial statements were filed delinquent.

Recommendation: Management should ensure that the accounting records are closed timely to allow for adequate time to complete the audit and file the financials by the deadline.

Management Comments: See management's corrective action plan.

CITY OF MUNFORD, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2021

A. PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

Prior Year Finding Number	Finding Title	Status
2020-001	Expenditures in excess of budget (Original Finding #2019-001)	Repeated 2021-001
2020-002	City Manager Improperly Acquired a City Vehicle for Personal Gain (Original Finding #2020-002)	Corrected



City of Munford, Tennessee

1397 Munford Avenue
Munford, TN 38058
City Hall (901) 837-0171
www.munford.com
Dwayne Cole, Mayor

June 2, 2022

MANAGEMENT'S CORRECTIVE ACTION PLAN

The City of Munford, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2021. The findings from the June 30, 2021, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2021-001: Expenditures in Excess of Budget

Planned Corrective Action: Purchase of a restricted fund item will be properly recorded in the future. Upon determining purchase of item, the City will formally amend the budget to include purchase cost.

2021-002: Accounting Records Not Closed within Two Months of Fiscal Year End

Planned Corrective Action: The City experienced a financial software conversion disaster immediately prior to year-end. Corrections to conversion were not completed by software company until much later than two months of fiscal year end. All accounting records will be closed within the sixty-day window of fiscal year end.

2021-003: Audited Financials Were Not Filed by December 31

Planned Corrective Action: The City experienced a financial software conversion disaster immediately prior to year-end. Corrections to conversion were not completed by software company until much later than two months of fiscal year end. All accounting records will be closed within the sixty-day window of fiscal year end, therefore audit can be completed and filed prior to December 31.

Contact Person Responsible for Each Corrective Action: Sherry Yelvington, City Recorder

Anticipated Completion Date for Each Corrective Action: June 30, 2022

Respectively submitted,

Sherry Yelvington
City Recorder, City of Munford, Tennessee