

CITY OF MUNFORD, TENNESSEE

Financial Statements

For the Fiscal Year Ended June 30, 2022



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INTRODUCTORY SECTION (UNAUDITED)

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 ChiefJeremy Reeves
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 Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Munford, Tennessee, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the statement of budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that

an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and certain pension and other postemployment benefit information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules, 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.

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance

with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the combining and individual fund financial statements and schedules, supporting 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.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2023, 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.

Handwritten signature in black ink that reads "Watkins Mikusall, PLLC".

Memphis, Tennessee
July 13, 2023

CITY OF MUNFORD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

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, 2022. 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 \$27,802,732 (net position). Of this amount, \$10,233,919 (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 \$1,440,939 due to income in governmental activities of \$1,310,139 and income in business-type activities of \$130,800.
- At June 30, 2022, the City's governmental funds reported combined ending fund balances of \$2,753,674, an increase of \$388,504 in comparison with the prior year. Approximately 77.20% of this amount is available for spending at the government's discretion (committed, assigned or unassigned fund balance). At June 30, 2022 unassigned fund balance for the General Fund was \$2,050,971, or 34.26% of General Fund expenditures.
- The City's total debt decreased by \$157,884 (2.71%) during the current fiscal year. The City refunded existing debt obligations totaling \$3,573,355, paid down outstanding debt totaling \$609,097, and issued new debt of \$427,104 during FY22.

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, 2022

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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 which is considered to be a major fund. Data for this fund is combined into a single column with individual fund data for each of the nonmajor 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 to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 13 and 16 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.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information on pages 42-43. The required supplementary information (RSI) provides additional information regarding the City's defined benefit pension plan.

CITY OF MUNFORD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2022

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 through 48 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 \$27,802,732 at the close of the most recent fiscal year, an increase of \$1,440,939 (5.47%) from last year. Governmental activities increased the City's net position by \$1,310,139 while business-type activities increased the City's net position by \$130,800.

The largest portion of the City's net position (60.9%) 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	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 4,805,952	\$ 4,088,523	\$ 8,721,792	\$ 9,012,484	\$ 13,527,744	\$ 13,101,007
Capital assets	7,886,409	7,336,160	14,730,511	14,071,531	22,616,920	21,407,691
Total Assets	12,692,361	11,424,683	23,452,303	23,084,015	36,144,664	34,508,698
Deferred Outflows of Resources	803,242	331,261	353,140	136,782	1,156,382	468,043
Long-term liabilities outstanding	1,981,088	2,485,757	3,951,471	3,975,136	5,932,559	6,460,893
Other liabilities	353,061	202,796	618,067	451,724	971,128	654,520
Total Liabilities	2,334,149	2,688,553	4,569,538	4,426,860	6,903,687	7,115,413
Deferred Inflows of Resources	2,274,039	1,490,115	320,588	9,420	2,594,627	1,499,535
Net Asset						
Invested in capital assets	6,094,897	6,158,512	10,846,549	10,273,298	16,941,446	16,431,810
Restricted	627,367	572,664	-	-	627,367	572,664
Unrestricted	2,165,151	846,100	8,068,768	8,511,219	10,233,919	9,357,319
Total Net Position	\$ 8,887,415	\$ 7,577,276	\$ 18,915,317	\$ 18,784,517	\$ 27,802,732	\$ 26,361,793

An additional portion of the City's net position (2.26%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$10,233,919 may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2022, 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 \$2,165,151 as a component of net position while business-type activities reflected a positive component of \$8,068,768. 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: Current fiscal year revenues for the City's governmental activities were \$6,329,756 compared to \$5,443,167 last year, an increase of \$886,589 driven primarily by additional COVID-19 grant funding. Expenses for

CITY OF MUNFORD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2022

the same period were \$5,194,246 compared to \$5,584,990 last year, a decrease of \$390,744 driven by a decrease in the timing of capital outlay expenditures for highways and streets.

Current fiscal year revenues for the City's business-type activities were \$7,999,659 compared to \$7,015,416 last year, an increase of \$984,243 while expenses for the same period were \$7,694,230 compared to \$6,269,983 last year, an increase of \$1,424,247. Both the increase in revenues and expenses is related gas price increases in the gas fund.

	Condensed Statement of Activities					
	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for services	\$ 1,200,486	\$ 1,071,282	\$ 7,579,960	\$ 6,489,224	\$ 8,780,446	\$ 7,560,506
Operating grants and contributions	1,076,914	403,330	-	-	1,076,914	403,330
Capital grants and contributions	4,475	214,306	301,600	368,520	306,075	582,826
General Revenues:						
Property taxes	1,550,014	1,470,649	-	-	1,550,014	1,470,649
Other taxes	1,481,040	1,328,139	-	-	1,481,040	1,328,139
Intergovernmental	972,245	906,060	-	-	972,245	906,060
Interest on investments	12,323	12,374	46,534	78,770	58,857	91,144
Other revenue	32,259	37,027	14,565	16,902	46,824	53,929
Total Revenues	6,329,756	5,443,167	7,942,659	6,953,416	14,272,415	12,396,583
Expenses:						
General government	\$ 212,640	\$ 276,230	\$ -	\$ -	\$ 212,640	\$ 276,230
Public safety	3,054,271	2,924,296	-	-	3,054,271	2,924,296
Solid waste	433,944	380,563	-	-	433,944	380,563
Highways and streets	314,147	903,368	-	-	314,147	903,368
Parks and recreation	1,129,108	1,043,520	-	-	1,129,108	1,043,520
Interest and fiscal charges	50,136	57,013	-	-	50,136	57,013
Water and sewer	-	-	2,594,017	2,435,429	2,594,017	2,435,429
Gas	-	-	5,043,213	3,772,554	5,043,213	3,772,554
Total Expenses	5,194,246	5,584,990	7,637,230	6,207,983	12,831,476	11,792,973
Increase/(Decrease) in net position before transfers	1,135,510	(141,823)	305,429	745,433	1,440,939	603,610
Transfers	174,629	176,439	(174,629)	(176,439)	-	-
Increase/(Decrease) in net position	1,310,139	34,616	130,800	568,994	1,440,939	603,610
Net position, beginning	7,577,276	7,542,660	18,784,517	18,215,523	26,361,793	25,758,183
Net position, ending	\$ 8,887,415	\$ 7,577,276	\$ 18,915,317	\$ 18,784,517	\$ 27,802,732	\$ 26,361,793

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 \$2,753,674, an increase of \$388,504, in comparison with the prior year. Approximately 74% of this total amount

CITY OF MUNFORD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2022

(\$2,050,971) 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 \$2,050,971, while total fund balance was \$2,126,307. The only other category of fund balance for the General Fund was assigned totaling \$74,793. 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 34.3% 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 \$821,755, an increase of \$180,563 from the prior year. Unrestricted net position of the Gas fund at the end of the year amounted to \$7,247,013, a decrease of \$623,014 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 \$131,525, which was \$143,443 more than the final budgeted deficit change of \$11,918. Actual total revenue and other financing sources were \$587,358 higher than the final budgeted total revenue and other financing sources, representing a positive budget variance. Actual expenditures were \$443,879 higher than final budgeted amounts, representing a negative budget variance.

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, 2022 amounts to \$22,616,920 (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 \$1,209,229. Depreciation expense for the year was \$1,285,777.

The following table summarizes the City's capital assets, net of accumulated depreciation, for the years ended June 30, 2022 and 2021.

	Condensed Statement of Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,069,734	\$ 1,069,734	\$ 1,388,247	\$ 1,388,247	\$ 2,457,981	\$ 2,457,981
Buildings and improvements	3,217,908	3,274,302	526,380	407,058	3,744,288	3,681,360
Vehicles and equipment	1,682,807	939,491	1,142,680	1,025,376	2,825,487	1,964,867
ROU Vehicles and equipment	800	5,578	-	-	800	5,578
Utility system	-	-	11,347,202	10,710,047	11,347,202	10,710,047
Infrastructure	1,697,070	1,831,238	-	-	1,697,070	1,831,238
Construction in progress	218,090	215,817	326,002	540,803	544,092	756,620
Total capital assets, net	\$ 7,886,409	\$ 7,336,160	\$ 14,730,511	\$ 14,071,531	\$ 22,616,920	\$ 21,407,691

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 \$5,675,474. The City's total debt decreased \$157,884 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.

CITY OF MUNFORD, TENNESSEE
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2022

Economic Factors and Next Year’s Budgets and Rates

Factors considered in preparing the City’s budget for the 2023 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 is sales tax (\$2,028,985) and property taxes (\$1,532,032). The potential impact of economic conditions in the area has been taken into consideration in projecting resources. Property tax revenues were projected to increase slightly due to large addition of housing coming to completion. The property tax rate for FY2023 is set \$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 FY2023 sales tax revenues just below (7.8%) actual sales tax revenues in FY2022. Even though sales tax receipts have been higher than ever in FY2022, the City continues to take a conservative approach to budgeting these funds.
- The City continues 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 increased annually based on the greater of 1% or the annual CPI adjustment.
- The City adopted a General Fund operating budget of \$5.73 million for FY2023 which is a decrease of 2.9% from the FY2022 General Fund Budget. This is primarily due to the non-renewal of some state sponsored COVID grants.

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, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,122,818	\$ 2,975,347	\$ 5,098,165
Investments	311,093	4,838,910	5,150,003
Receivables			
Taxes	1,674,160	-	1,674,160
Customer accounts	61,540	633,245	694,785
Grants	2,586	-	2,586
Other	54,628	7,765	62,393
Less allowance for doubtful accounts	(131,640)	(228,184)	(359,824)
Due from other governments	419,154	4,283	423,437
Internal balances	(2,734)	2,734	-
Inventories	-	250,607	250,607
Prepaid items	543	-	543
Restricted cash	165,581	180,713	346,294
Capital assets, not being depreciated	1,287,824	1,714,249	3,002,073
Capital assets, being depreciated, net	6,598,585	13,016,262	19,614,847
Net pension asset	128,223	56,372	184,595
Total assets	<u>12,692,361</u>	<u>23,452,303</u>	<u>36,144,664</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	803,242	353,140	1,156,382
LIABILITIES			
Accounts payable and accrued liabilities	77,272	393,861	471,133
Accrued interest payable	11,076	-	11,076
Accrued payroll	96,665	43,882	140,547
Customer deposits	1,200	102,582	103,782
Unearned revenue	166,848	77,742	244,590
Noncurrent liabilities:			
Due within one year	320,362	478,070	798,432
Due in more than one year			
Other liabilities	1,660,726	3,473,401	5,134,127
Total liabilities	<u>2,334,149</u>	<u>4,569,538</u>	<u>6,903,687</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	1,544,839	-	1,544,839
Related to pension	729,200	320,588	1,049,788
Total deferred inflows of resources	<u>2,274,039</u>	<u>320,588</u>	<u>2,594,627</u>
NET POSITION			
Net investment in capital assets	6,094,897	10,846,549	16,941,446
Restricted for:			
Streets	506,176	-	506,176
Solid waste	94,121	-	94,121
Drug enforcement	27,070	-	27,070
Unrestricted	2,165,151	8,068,768	10,233,919
Total net position	<u>\$ 8,887,415</u>	<u>\$ 18,915,317</u>	<u>\$ 27,802,732</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, 2022

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	\$ 212,640	\$ 247,211	\$ 845,643	\$ -	\$ 880,214	\$ -	\$ 880,214
Public safety	3,054,271	21,071	11,090	4,475	(3,017,635)	-	(3,017,635)
Solid waste	433,944	452,259	-	-	18,315	-	18,315
Highways and streets	314,147	-	220,181	-	(93,966)	-	(93,966)
Parks and recreation	1,129,108	479,945	-	-	(649,163)	-	(649,163)
Interest on long-term debt	50,136	-	-	-	(50,136)	-	(50,136)
Total governmental activities	5,194,246	1,200,486	1,076,914	4,475	(2,912,371)	-	(2,912,371)
Business-type activity:							
Water and sewer	2,594,017	2,714,793	-	301,600	-	422,376	422,376
Gas	5,043,213	4,865,167	-	-	-	(178,046)	(178,046)
Total business-type activities	7,637,230	7,579,960	-	301,600	-	244,330	244,330
Total primary government	\$ 12,831,476	\$ 8,780,446	\$ 1,076,914	\$ 306,075	(2,912,371)	244,330	(2,668,041)
General revenues:							
Property taxes					1,550,014	-	1,550,014
Local option sales tax					1,311,624	-	1,311,624
Other taxes							
Wholesale liquor and beer taxes					156,743	-	156,743
Cable TV tax					12,673	-	12,673
Intergovernmental revenues:							
State sales tax					719,231	-	719,231
State income tax					9,842	-	9,842
Other intergovernmental revenue					243,172	-	243,172
Other revenue					14,382	13,028	27,410
Interest on investments					12,323	46,534	58,857
Gain on sale of capital assets					13,862	(1,246)	12,616
Insurance recoveries					4,015	2,783	6,798
Transfers					174,629	(174,629)	-
Total general revenues and transfers					4,222,510	(113,530)	4,108,980
Change in net position					1,310,139	130,800	1,440,939
Net position - beginning					7,577,276	18,784,517	26,361,793
Net position - ending					\$ 8,887,415	\$ 18,915,317	\$ 27,802,732

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

CITY OF MUNFORD, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,681,417	\$ 605,782	\$ 2,287,199
Investments - certificates of deposit	311,093	-	311,093
Receivables			
Taxes	1,674,160	-	1,674,160
Customer	-	61,540	61,540
Grants	2,586	-	2,586
Other	51,095	3,533	54,628
Less allowance for doubtful accounts	(107,426)	(24,214)	(131,640)
Due from other governments	380,969	38,185	419,154
Due from other funds	62,724	3,188	65,912
Cash restricted for customer accounts	1,200	-	1,200
Prepaid Items	543	-	543
	<u>\$ 4,058,361</u>	<u>\$ 688,014</u>	<u>\$ 4,746,375</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 48,426	\$ 28,846	\$ 77,272
Accrued payroll	96,665	-	96,665
Customer deposits	1,200	-	1,200
Due to other funds	36,845	31,801	68,646
Deferred revenue	166,848	-	166,848
Total liabilities	<u>349,984</u>	<u>60,647</u>	<u>410,631</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
Taxes	1,568,630	-	1,568,630
Other	13,440	-	13,440
Total deferred inflows of resources	<u>1,582,070</u>	<u>-</u>	<u>1,582,070</u>
FUND BALANCES			
Nonspendable	543	-	543
Restricted	-	627,367	627,367
Assigned	74,793	-	74,793
Unassigned	2,050,971	-	2,050,971
Total fund balances	<u>2,126,307</u>	<u>627,367</u>	<u>2,753,674</u>
	<u>\$ 4,058,361</u>	<u>\$ 688,014</u>	<u>\$ 4,746,375</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,058,361</u>	<u>\$ 688,014</u>	<u>\$ 4,746,375</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, 2022

Total fund balances, governmental funds	\$ 2,753,674
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.	7,886,409
(2) Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned or unavailable in the funds.	37,231
(3) Long-term debt is not due and payable in the current period and, therefore is not reported in the funds.	
Less: debt payable	(1,790,614)
Less: financing lease payable	(898)
(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	(11,076)
Less: compensated absences payable	(189,576)
	(200,652)
(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.	
Add: net pension asset	128,223
(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	803,242
Less: deferred inflows of resources related to pensions	(729,200)
	74,042
Net position of governmental activities	<u>\$ 8,887,415</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, 2022

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 1,535,184	\$ -	\$ 1,535,184
Local sales taxes	1,481,040	-	1,481,040
Intergovernmental			
State sales, income, and other tax	972,245	-	972,245
State gas tax	-	220,181	220,181
Licenses and permits	62,687	-	62,687
Charges for services	495,217	452,259	947,476
Fines, forfeitures, and penalties	174,040	16,283	190,323
Federal, state and other grants	911,229	-	911,229
Interest on investments	9,669	2,654	12,323
Other	10,882	3,500	14,382
Total revenues	<u>5,652,193</u>	<u>694,877</u>	<u>6,347,070</u>
EXPENDITURES			
Current			
General government	182,775	-	182,775
Public safety	3,889,637	12,453	3,902,090
Solid Waste	-	433,944	433,944
Highways and streets	148,730	130,742	279,472
Parks and recreation	1,060,376	-	1,060,376
Debt Service			
Principal	210,649	35,884	246,533
Interest	28,501	29,723	58,224
Total expenditures	<u>5,520,668</u>	<u>642,746</u>	<u>6,163,414</u>
Excess (deficiency) of revenues over (under) expenditures	131,525	52,131	183,656
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	17,421	-	17,421
Refunding debt issued	472,349	860,049	1,332,398
Payments to escrow	(466,138)	(857,477)	(1,323,615)
Insurance recoveries	4,015	-	4,015
Transfers in	174,629	-	174,629
Total other financing sources and uses	<u>202,276</u>	<u>2,572</u>	<u>204,848</u>
Net change in fund balances	333,801	54,703	388,504
Fund balances - beginning	<u>1,792,506</u>	<u>572,664</u>	<u>2,365,170</u>
Fund balances - ending	<u>\$ 2,126,307</u>	<u>\$ 627,367</u>	<u>\$ 2,753,674</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, 2022

Net change in fund balance - total governmental funds		\$ 388,504
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	1,012,847	
Less: depreciation expense	<u>(459,040)</u>	553,807
(2) Gain (losses) from the disposition of capital assets are reported net of any remaining net book value in the statement of activities.		(3,558)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(35,191)
(4) 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	1,570,148	
Less: proceeds from issuance of long-term debt	<u>(1,332,399)</u>	
Add: principal payments on finance lease	<u>5,864</u>	243,613
(5) 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	8,089	
Change in compensated absences	<u>111</u>	8,200
(6) 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>154,764</u>
Change in net position of governmental activities		<u>\$ 1,310,139</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, 2022

	<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	\$ 1,425,000	\$ 1,400,000	\$ 1,442,021	\$ 42,021
Property tax - prior year	75,500	83,828	83,828	-
Property tax interest and penalties	14,000	9,332	9,335	3
Total property taxes	<u>1,514,500</u>	<u>1,493,160</u>	<u>1,535,184</u>	<u>42,024</u>
LOCAL TAXES				
Local sales tax	1,000,000	1,288,000	1,311,624	23,624
Wholesale beer and liquor tax	144,500	149,290	156,743	7,453
CATV franchise tax	12,000	12,670	12,673	3
Total local taxes	<u>1,156,500</u>	<u>1,449,960</u>	<u>1,481,040</u>	<u>31,080</u>
INTERGOVERNMENTAL				
State of Tennessee shared taxes				
Sales	625,620	701,500	719,231	17,731
Income taxes	5,000	9,838	9,842	4
Beer tax	2,933	2,800	2,879	79
Petroleum tax	12,159	11,000	11,601	601
Receipts in lieu of tax - TVA	72,000	65,432	65,432	-
Reimbursements	23,200	21,600	21,600	-
County allocations	130,127	132,927	133,838	911
Atoka reimbursements	1,650	1,400	1,431	31
Other local taxes	6,110	4,700	6,391	1,691
Total state shared taxes	<u>878,799</u>	<u>951,197</u>	<u>972,245</u>	<u>21,048</u>
LICENSES AND PERMITS				
Building and related permits	45,000	42,000	57,197	15,197
Beer and liquor licenses	1,300	800	800	-
Other	3,150	4,650	4,690	40
Total licenses and permits	<u>49,450</u>	<u>47,450</u>	<u>62,687</u>	<u>15,237</u>
CHARGES FOR SERVICES				
Planning commission fees	9,000	11,000	11,184	184
Police charges	2,500	3,000	3,155	155
Fire charges	1,200	1,613	1,633	20
Recreation fees	136,500	125,346	126,896	1,550
Concessions	12,000	13,500	13,639	139
Centennial Park charges	121,000	165,244	166,227	983
Rental revenue	138,625	156,800	158,634	1,834
Library fees	2,950	8,150	7,549	(601)
Community development fees	5,625	6,300	6,300	-
Total charge for services	<u>429,400</u>	<u>490,953</u>	<u>495,217</u>	<u>4,264</u>

(CONTINUED ON NEXT PAGE)

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, 2022

	<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	\$ 131,000	\$ 170,000	\$ 171,590	\$ 1,590
Code enforcement	1,000	1,300	1,750	450
Other	100	600	700	100
Total fines, forfeitures, and penalties	<u>132,100</u>	<u>171,900</u>	<u>174,040</u>	<u>2,140</u>
FEDERAL AND STATE GRANTS	89,699	908,643	911,229	2,586
INTEREST ON INVESTMENTS	4,500	9,500	9,669	169
OTHER	-	8,246	10,882	2,636
Total Revenues	<u>4,254,948</u>	<u>5,531,009</u>	<u>5,652,193</u>	<u>121,184</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative				
Salaries	42,950	50,150	48,730	1,420
Benefits	16,379	15,655	14,658	997
Operations	14,928	15,822	14,588	1,234
Allocations	(49,009)	(53,873)	(51,463)	(2,410)
	<u>25,248</u>	<u>27,754</u>	<u>26,513</u>	<u>1,241</u>
Judicial				
Salaries	6,000	6,000	6,000	-
Benefits	460	480	459	21
Operations	7,000	10,900	10,027	873
	<u>13,460</u>	<u>17,380</u>	<u>16,486</u>	<u>894</u>
Administrative				
Salaries	398,093	392,700	388,748	3,952
Benefits	119,927	114,265	112,958	1,307
Operations	211,185	211,036	234,666	(23,630)
Capital outlay	-	115,000	84,739	30,261
Allocations	(670,869)	(749,700)	(734,180)	(15,520)
	<u>58,336</u>	<u>83,301</u>	<u>86,931</u>	<u>(3,630)</u>
Code enforcement				
Salaries	63,770	65,075	64,966	109
Benefits	22,886	21,280	20,991	289
Operations	18,802	20,886	19,732	1,154
Allocations	(52,730)	(53,620)	(52,844)	(776)
	<u>52,728</u>	<u>53,621</u>	<u>52,845</u>	<u>776</u>
Total general government	<u>149,772</u>	<u>182,056</u>	<u>182,775</u>	<u>(719)</u>

(CONTINUED ON NEXT PAGE)

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, 2022

	<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	\$ 938,718	\$ 1,005,500	\$ 1,000,390	\$ 5,110
Benefits	357,008	358,869	354,751	4,118
Operations	242,030	286,867	290,660	(3,793)
Capital outlay	60,203	194,376	186,081	8,295
	<u>1,597,959</u>	<u>1,845,612</u>	<u>1,831,882</u>	<u>13,730</u>
Fire services				
Salaries	724,727	825,071	833,463	(8,392)
Benefits	281,363	287,244	285,563	1,681
Operations	175,676	174,323	184,251	(9,928)
Capital outlay	70,418	766,839	754,478	12,361
	<u>1,252,184</u>	<u>2,053,477</u>	<u>2,057,755</u>	<u>(4,278)</u>
Total public safety	<u>2,850,143</u>	<u>3,899,089</u>	<u>3,889,637</u>	<u>9,452</u>
HIGHWAYS AND STREETS				
Operations	141,840	126,775	124,511	2,264
Capital outlay	-	24,219	24,219	-
Total highways and streets	<u>141,840</u>	<u>150,994</u>	<u>148,730</u>	<u>2,264</u>
PARKS AND RECREATION				
Parks and recreation				
Salaries	206,013	219,211	219,140	71
Benefits	68,913	73,670	73,128	542
Operations	103,000	88,520	87,227	1,293
	<u>377,926</u>	<u>381,401</u>	<u>379,495</u>	<u>1,906</u>
Programs				
Operations	75,350	76,557	75,809	748
Centennial Park				
Salaries	112,009	93,544	93,544	-
Benefits	50,038	39,530	38,679	851
Operations	162,710	199,925	197,235	2,690
	<u>324,757</u>	<u>332,999</u>	<u>329,458</u>	<u>3,541</u>
Library				
Salaries	66,317	71,345	71,345	-
Benefits	25,478	25,295	24,851	444
Operations	18,120	14,496	14,352	144
Capital outlay	3,000	24,334	24,334	-
	<u>112,915</u>	<u>135,470</u>	<u>134,882</u>	<u>588</u>

(CONTINUED ON NEXT PAGE)

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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Tipton Plaza				
Operations	\$ 39,250	\$ 30,382	\$ 30,055	\$ 327
Capital outlay	-	5,000	5,000	-
	<u>39,250</u>	<u>35,382</u>	<u>35,055</u>	<u>327</u>
City Parks				
Operations	40,050	30,203	41,140	(10,937)
Capital outlay	29,000	32,726	21,700	11,026
	<u>69,050</u>	<u>62,929</u>	<u>62,840</u>	<u>89</u>
Community development				
Salaries	-	320	320	-
Operations	31,682	51,897	50,708	1,189
Capital outlay	30,000	20,367	20,367	-
Allocations	(24,672)	(29,034)	(28,558)	(476)
	<u>37,010</u>	<u>43,550</u>	<u>42,837</u>	<u>713</u>
Total parks and recreation	<u>1,036,258</u>	<u>1,068,288</u>	<u>1,060,376</u>	<u>7,912</u>
DEBT SERVICE				
Principal	209,841	210,649	210,649	-
Interest	29,752	31,851	28,501	3,350
Total debt service	<u>239,593</u>	<u>242,500</u>	<u>239,150</u>	<u>3,350</u>
Total Expenditures	<u>4,417,606</u>	<u>5,542,927</u>	<u>5,520,668</u>	<u>22,259</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(162,658)	(11,918)	131,525	143,443
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	17,400	17,421	21
Refunding debt issued	-	6,211	472,349	466,138
Payment to escrow agent	-	-	(466,138)	(466,138)
Insurance recoveries	-	4,000	4,015	15
Transfers in	180,000	174,629	174,629	-
Total Other Financing Sources (Uses)	<u>180,000</u>	<u>202,240</u>	<u>202,276</u>	<u>36</u>
Net change in fund balances	<u>\$ 17,342</u>	<u>\$ 190,322</u>	<u>333,801</u>	<u>\$ 143,479</u>
Fund balances - beginning			<u>1,792,506</u>	
Fund balances - ending			<u>\$ 2,126,307</u>	

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

CITY OF MUNFORD, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2022

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Gas Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 624,164	\$ 2,351,183	\$ 2,975,347
Investments - certificates of deposit	-	4,838,910	4,838,910
Receivables			
Customers	340,583	292,662	633,245
Other	3,927	3,838	7,765
Less allowance for doubtful accounts	(57,327)	(170,857)	(228,184)
Due from other governments	3,922	361	4,283
Due from other funds	42,574	18,042	60,616
Inventory	-	250,607	250,607
Cash restricted for customer accounts	34,870	67,712	102,582
Cash restricted for construction project	78,131	-	78,131
Total current assets	<u>1,070,844</u>	<u>7,652,458</u>	<u>8,723,302</u>
Noncurrent assets:			
Capital assets, not being depreciated	936,913	777,336	1,714,249
Capital assets, being depreciated, net	8,202,182	4,814,080	13,016,262
Total capital assets (net of accumulated depreciation)	<u>9,139,095</u>	<u>5,591,416</u>	<u>14,730,511</u>
Net pension asset	25,939	30,433	56,372
Total assets	<u>10,235,878</u>	<u>13,274,307</u>	<u>23,510,185</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	162,494	190,646	353,140
LIABILITIES			
Current liabilities:			
Accounts payable	100,027	293,834	393,861
Accrued payroll	18,937	24,945	43,882
Customer deposits	34,870	67,712	102,582
Due to other funds	19,725	38,157	57,882
Unearned revenue	78,131	(389)	77,742
Current portion of bonds and notes payable	326,106	129,686	455,792
Total current liabilities	<u>577,796</u>	<u>553,945</u>	<u>1,131,741</u>
Noncurrent liabilities:			
Bonds and notes payable, net of current portion, discounts, and premiums	2,339,606	1,088,564	3,428,170
Accrued compensated absences	38,317	29,192	67,509
Total noncurrent liabilities	<u>2,377,923</u>	<u>1,117,756</u>	<u>3,495,679</u>
Total liabilities	<u>2,955,719</u>	<u>1,671,701</u>	<u>4,627,420</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pension	147,515	173,073	320,588
NET POSITION			
Net investment in capital assets	6,473,383	4,373,166	10,846,549
Unrestricted	821,755	7,247,013	8,068,768
Total net position	<u>\$ 7,295,138</u>	<u>\$ 11,620,179</u>	<u>\$ 18,915,317</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, 2022

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Gas Fund	Total
Operating Revenues:			
Metered sales	\$ 2,444,326	\$ 4,629,692	\$ 7,074,018
Service connections fees	262,467	300,475	562,942
Bad debt recovery (expense)	8,000	(65,000)	(57,000)
Insurance recoveries	-	2,783	2,783
Other	6,063	6,965	13,028
Total operating revenues	<u>2,720,856</u>	<u>4,874,915</u>	<u>7,595,771</u>
Operating Expenses:			
Salaries	511,340	605,747	1,117,087
Benefits	184,458	198,318	382,776
Contracted services	208,087	141,936	350,023
Repairs and maintenance	174,498	95,399	269,897
Materials and supplies	229,634	316,036	545,670
Fixed charges	81,196	28,092	109,288
Utilities	286,682	53,242	339,924
Supplies for resale	-	2,737,836	2,737,836
Other charges	109,515	65,649	175,164
Allocations	300,243	388,056	688,299
Depreciation	455,142	371,595	826,737
Total operating expenses	<u>2,540,795</u>	<u>5,001,906</u>	<u>7,542,701</u>
Operating income	180,061	(126,991)	53,070
Nonoperating Revenues (Expenses):			
Interest	3,883	42,651	46,534
Bond interest and fiscal charges	(53,222)	(41,307)	(94,529)
Gain on sale of capital assets	604	(1,850)	(1,246)
Total nonoperating revenues (expenses)	<u>(48,735)</u>	<u>(506)</u>	<u>(49,241)</u>
Income before contributions and transfers	131,326	(127,497)	3,829
Capital contributions - water taps	301,600	-	301,600
Transfers out	(52,752)	(121,877)	(174,629)
Change in net position	<u>380,174</u>	<u>(249,374)</u>	<u>130,800</u>
Total net position - beginning	<u>6,914,964</u>	<u>11,869,553</u>	<u>18,784,517</u>
Total net position - ending	<u>\$ 7,295,138</u>	<u>\$ 11,620,179</u>	<u>\$ 18,915,317</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, 2022

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Gas Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,625,358	\$ 4,854,580	\$ 7,479,938
Payments to suppliers	(1,410,601)	(3,731,206)	(5,141,807)
Payments to employees	(724,775)	(841,867)	(1,566,642)
Other receipts	6,203	3,043	9,246
Net cash provided by operating activities	496,185	284,550	780,735
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES			
Payments to other funds	(55,690)	(88,965)	(144,655)
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	301,600	-	301,600
Purchases of capital assets	(851,657)	(635,306)	(1,486,963)
Proceeds from capital debt issuance	1,634,889	1,057,280	2,692,169
Principal paid on capital debt	(1,437,381)	(1,169,059)	(2,606,440)
Interest paid on capital debt	(53,222)	(41,307)	(94,529)
Net cash used for capital and related financing activities	(405,771)	(788,392)	(1,194,163)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	3,883	18,261	22,144
Net increase (decrease) in cash and cash equivalents	38,607	(574,546)	(535,939)
Cash and cash equivalents - beginning of the year	698,558	2,993,441	3,691,999
Cash and cash equivalents - end of the year	<u>\$ 737,165</u>	<u>\$ 2,418,895</u>	<u>\$ 3,156,060</u>
Classified as:			
Current assets	\$ 624,164	\$ 2,351,183	\$ 2,975,347
Restricted assets	113,001	67,712	180,713
	<u>\$ 737,165</u>	<u>\$ 2,418,895</u>	<u>\$ 3,156,060</u>
Reconciliation of operating income to net cash from operating activities:			
Operating income	\$ 180,061	\$ (126,991)	\$ 53,070
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	455,142	371,595	826,737
Pension expense in excess of employer contributions	(31,535)	(37,776)	(69,311)
Change in assets and liabilities			
Receivables	(88,531)	(14,611)	(103,142)
Inventory	-	(91,317)	(91,317)
Accounts payable	(21,861)	184,582	162,721
Accrued compensated absences	2,558	(26)	2,532
Unearned revenue	351	(906)	(555)
Net cash provided by operating activities	<u>\$ 496,185</u>	<u>\$ 284,550</u>	<u>\$ 780,735</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”) is governed by an elected Mayor and six-member Board of Aldermen.

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

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, 2022. 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.

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.

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.

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 net realizable value 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

Right of use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to please the lease into service. The right of use assets are amortized on the straight-line basis over the life of the related lease.

6. Deferred outflows of resources

Deferred outflows of resources represent a consumption of net assets 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 pension.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. *Deferred inflows of resources*

Deferred inflows of resources represent an acquisition of 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 pension.

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 compromise 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 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 for a specific purpose but are neither restricted nor committed. The intent shall be expressed by the Board of Mayor and Aldermen or its authorized designee 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. Pension

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to the pension, 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

Effective July 1, 2021, the City implemented accounting and financial reporting requirements of GASB Statement No. 87, *Leases*. Under the implementation, an existing capital lease was reclassified to a right-of-use asset and disclosures were adjusted for the lease. There was no effect on net position as a result of the adoption of this statement.

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 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,

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

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, 2022, expenditures exceeded budget appropriations in the following General Fund departments: Administrative by \$3,630 and Fire Services by \$4,278.

C. Deficit fund equity

As of June 30, 2022, 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, 2022, 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, 2022. 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, 2022, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds		
General Fund		
Water and Sewer	\$ -	\$ 36,845
Gas	36,652	-
Solid Waste	22,215	-
Drug	3,857	-
	<u>62,724</u>	<u>36,845</u>
Water and Sewer Fund		
General	36,845	-
Gas	-	18,042
Solid Waste	-	1,683
State Street Aid	5,729	-
	<u>42,574</u>	<u>19,725</u>
Gas Fund		
General	-	36,652
Water and Sewer	18,042	-
Solid Waste	-	1,505
	<u>18,042</u>	<u>38,157</u>
Nonmajor Funds		
State Street Aid		
Water and Sewer		5,729
Solid Waste		
General	-	22,215
Water and Sewer	1,683	-
Gas	1,505	-
	<u>3,188</u>	<u>27,944</u>
Drug		
General	-	3,857
	<u>\$ 126,528</u>	<u>\$ 126,528</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, 2022 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds		
General Fund		
Water and Sewer Fund	\$ 52,752	\$ -
Gas Fund	121,877	-
	<u>174,629</u>	<u>-</u>
Water and Sewer Fund		
General Fund	-	52,752
Gas Fund		
General Fund	-	121,877
	<u>\$ 174,629</u>	<u>\$ 174,629</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, 2022, 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	215,817	2,273	-	218,090
Total capital assets, not being depreciated	1,285,551	2,273	-	1,287,824
Capital assets, being depreciated:				
Buildings and improvements	5,290,652	98,200	(42,130)	5,346,722
Vehicles and equipment	3,047,655	912,374	(766,085)	3,193,944
Right-of-use leased vehicles	23,894	-	-	23,894
Infrastructure	3,352,531	-	-	3,352,531
Total capital assets, being depreciated	11,714,732	1,010,574	(808,215)	11,917,091
Less accumulated depreciation for:				
Buildings and improvements	(2,016,350)	(153,418)	40,954	(2,128,814)
Vehicles and equipment	(2,108,164)	(166,676)	763,703	(1,511,137)
Right-of-use leased vehicles	(18,316)	(4,778)	-	(23,094)
Infrastructure	(1,521,293)	(134,168)	-	(1,655,461)
Total accumulated depreciation	(5,664,123)	(459,040)	804,657	(5,318,506)
Total capital assets, being depreciated, net	6,050,609	551,534	(3,558)	6,598,585
Governmental activities capital assets, net	<u>\$ 7,336,160</u>	<u>\$ 553,807</u>	<u>\$ (3,558)</u>	<u>\$ 7,886,409</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,388,247	\$ -	\$ -	\$ 1,388,247
Construction in progress	540,803	545,091	(759,892)	326,002
Total capital assets, not being depreciated	1,929,050	545,091	(759,892)	1,714,249
Capital assets, being depreciated:				
Buildings and improvements	1,022,604	150,408	(97,091)	1,075,921
Vehicles and equipment	5,575,556	272,520	(1,982,397)	3,865,679
Water plant in operation	8,861,472	216,180	(1,031,186)	8,046,466
Sewer plant in operation	6,844,472	1,047,491	(394,356)	7,497,607
Gas plant in operation	7,693,110	11,024	-	7,704,134
Total capital assets, being depreciated	29,997,214	1,697,623	(3,505,030)	28,189,807
Less accumulated depreciation for:				
Buildings and improvements	(615,546)	(31,086)	97,091	(549,541)
Vehicles and equipment	(4,550,180)	(158,104)	1,985,285	(2,722,999)
Water plant in operation	(4,716,911)	(220,699)	1,031,186	(3,906,424)
Sewer plant in operation	(3,915,837)	(197,384)	394,363	(3,718,858)
Gas plant in operation	(4,056,259)	(219,464)	-	(4,275,723)
Total accumulated depreciation	(17,854,733)	(826,737)	3,507,925	(15,173,545)
Total capital assets, being depreciated, net	12,142,481	870,886	2,895	13,016,262
Business-type activities capital assets, net	<u>\$ 14,071,531</u>	<u>\$ 1,415,977</u>	<u>\$ (756,997)</u>	<u>\$ 14,730,511</u>

NOTE 6– CAPITAL ASSETS (CONTINUED)

For the year ended June 30, 2022, depreciation was charged to functions of the primary government as follows:

Governmental Activities:	
General government	\$ 96,893
Public safety	200,514
Highways and streets	56,621
Park and recreation	105,012
Total depreciation expense - governmental activities	<u>\$ 459,040</u>
Business-type Activities:	
Water and sewer fund	\$ 455,142
Gas fund	371,595
Total depreciation expense - business-type activities	<u>\$ 826,737</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, 2022 consisted of the following:

	Interest Rates	Maturity Date	Original Issue	Balance Outstanding at Year End
Governmental activities:				
Notes from direct borrowings:				
General obligation TML bond fund loan				
Series 2005 ²	0.57% ¹	May 2025	\$ 4,000,000	\$ 845,000
Refunding, Series 2021 ³	2.23%	May 2036	1,529,630	1,446,000
Refunding, Series 2021A ⁴	2.31%	February 2039	1,497,479	1,435,000
Capital outlay notes				
Series 2013 ⁵	2.60%	June 2025	1,105,000	276,249
Series 2019	2.60%	August 2022	93,003	31,817
			<u>8,225,112</u>	<u>4,034,066</u>
Less: amounts split with business-type activities			<u>(4,594,046)</u>	<u>(2,243,452)</u>
			<u>\$ 3,631,066</u>	<u>\$ 1,790,614</u>
Business-type activities:				
Notes from direct borrowings:				
Revenue bond				
Series 2008	0.57% ¹	June 2029	\$ 1,000,000	\$ 453,000
Refunding, Series 2021	2.39%	October 2036	570,355	570,355
Series 2022	3.14%	May 2047	2,000,000	427,104
State Revolving Loan Fund, Series 2009 ⁶	0.91%	December 2031	636,435	190,051
			<u>4,206,790</u>	<u>1,640,510</u>
Add: amounts split with governmental activities			<u>4,594,046</u>	<u>2,243,452</u>
			<u>8,800,836</u>	<u>3,883,962</u>
			<u>\$ 12,431,902</u>	<u>\$ 5,674,576</u>

¹ Variable rate Tennessee Municipal Bond Fund loan rate for June 30, 2022 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 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%.

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.

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	
	Principal	Interest	Principal	Interest
2023	\$ 256,904	\$ 37,415	\$ 455,792	\$ 76,866
2024	230,955	33,090	469,245	69,634
2025	237,094	29,536	483,084	62,213
2026	71,218	25,924	272,856	54,640
2027	72,985	24,195	281,170	49,054
2028-2032	396,712	93,343	1,102,360	162,395
2033-2037	409,903	42,717	734,297	58,378
2038-2042	114,843	4,253	85,158	3,152
2043-2044	-	-	-	-
	<u>\$ 1,790,614</u>	<u>\$ 290,473</u>	<u>\$ 3,883,962</u>	<u>\$ 536,332</u>

2. Finance 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 lease matures in fiscal year 2023 and has a balance of \$898 at June 30, 2022.

3. Changes in long-term liabilities

A summary of long-term liability activity, including debt, for the year ended June 30, 2022 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	\$ 2,028,363	\$ 1,332,399	\$ (1,570,148)	\$ 1,790,614	\$ 256,904
Capital lease	6,762	-	(5,864)	898	898
Compensated absences	189,687	28,342	(28,453)	189,576	62,560
	<u>\$ 2,224,812</u>	<u>\$ 1,360,741</u>	<u>\$ (1,604,465)</u>	<u>\$ 1,981,088</u>	<u>\$ 320,362</u>
Business-type activities:					
Direct borrowings	\$ 3,798,233	\$ 2,692,169	\$ (2,606,440)	\$ 3,883,962	\$ 455,792
Compensated absences	69,154	8,728	(10,373)	67,509	22,278
	<u>\$ 3,867,387</u>	<u>\$ 2,700,897</u>	<u>\$ (2,616,813)</u>	<u>\$ 3,951,471</u>	<u>\$ 478,070</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:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable for:			
Prepaid expenditures	\$ 543	\$ -	\$ 543
Restricted for:			
Street expenditures	\$ -	\$ 506,176	\$ 506,176
Solid waste expenditures	-	94,121	94,121
Drug enforcement	-	27,070	27,070
Total restricted fund balance	-	627,367	627,367
Assigned to:			
Parks and recreation - dog park	18,447	-	18,447
Library	56,346	-	56,346
Total assigned fund balance	74,793	-	74,793
Unassigned	2,050,971	-	2,050,971
Total fund balances	<u>\$ 2,126,307</u>	<u>\$ 627,367</u>	<u>\$ 2,753,674</u>

NOTE 9 – PENSION

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.

NOTE 9 – PENSIONS (CONTINUED)

Employees Covered by Benefit Terms

At the measurement date of June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	57
Active employees	72
	<hr/>
	157
	<hr/>

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, 2022, 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.

A. Actuarial Assumptions

The City's net pension liability (asset) was measured as of June 30, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on actual experience including an adjustment for some anticipated improvement. The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to reflect more closely actual and expected future experience.

Changes of Assumptions

In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

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, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent.

NOTE 9 – PENSIONS (CONTINUED)

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the 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.

B. Net Pension Liability (Asset)

The components of the net pension liability at June 30, 2021 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at 6/30/20	\$ 7,989,284	\$ 7,620,590	\$ 368,694
Changes for the year:			
Service cost	266,270	-	266,270
Interest	586,260	-	586,260
Differences between expected and actual experience	208,476	-	208,476
Changes in assumptions	696,935	-	696,935
Contributions - employer	-	184,180	(184,180)
Contributions - employees	-	166,452	(166,452)
Net investment income	-	1,966,668	(1,966,668)
Benefit payments, including refunds of employee contributions	(338,414)	(338,414)	-
Administrative expenses	-	(6,070)	6,070
Net changes	1,419,527	1,972,816	(553,289)
Balance at 6/30/21	\$ 9,408,811	\$ 9,593,406	\$ (184,595)

NOTE 9 – PENSIONS (CONTINUED)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	1% Decrease	Current Rate	1% Increase
Net pension liability (asset)	\$ 1,336,350	\$ (184,595)	\$ (1,413,306)

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

Pension Expense

For the year ended June 30, 2022, the City recognized negative pension expense of \$20,580.

Deferred Outflows of Resources and Deferred Inflows of Resources.

For the year ended June 30, 2022, 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	\$ 293,866	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,049,788
Change in Assumptions	658,972	-
Contributions subsequent to the measurement date of June 30, 2021	203,544	-
Total	<u>\$ 1,156,382</u>	<u>\$ 1,049,788</u>

The amounts shown above for “Contributions subsequent to the measurement date of June 30, 2021,” 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:

2023	\$ (84,507)
2024	(81,869)
2025	(117,673)
2026	(160,101)
2027	120,853
Thereafter	226,347

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 266,270	\$ 253,974	\$ 230,543	\$ 237,623	\$ 223,748	\$ 211,839	\$ 202,772	\$ 175,345
Interest	586,260	548,061	516,491	482,547	446,116	409,394	393,797	370,199
Differences between expected and actual experience	208,476	53,733	12,855	63,713	97,275	74,360	(183,402)	(48,250)
Changes in assumptions	696,935	-	-	-	172,044	-	-	-
Benefit payments	(338,414)	(343,942)	(351,803)	(265,428)	(225,457)	(210,302)	(218,254)	(201,882)
Net change in total pension liability	1,419,527	511,826	408,086	518,455	713,726	485,291	194,913	295,412
Total pension liability - beginning	7,989,284	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	\$ 9,408,811	\$ 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	184,180	167,342	163,014	150,137	136,828	129,703	121,740	117,133
Contributions - employee	166,452	148,353	138,618	134,861	131,566	124,714	117,322	112,825
Net investment income	1,966,668	360,927	507,367	523,852	639,748	144,874	162,326	747,630
Benefit payments	(338,414)	(343,942)	(351,803)	(265,428)	(225,457)	(210,302)	(218,254)	(201,882)
Administrative expense	(6,070)	(5,670)	(5,410)	(5,704)	(4,995)	(4,429)	(2,770)	(2,223)
Net change in plan fiduciary net position	1,972,816	327,010	451,786	537,718	677,690	184,560	180,364	773,483
Plan fiduciary net position - beginning	7,620,590	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	\$ 9,593,406	\$ 7,620,590	\$ 7,293,580	\$ 6,841,794	\$ 6,304,076	\$ 5,626,386	\$ 5,441,826	\$ 5,261,462
Net pension liability (asset)	\$ (184,595)	\$ 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	101.96%	95.39%	97.54%	96.78%	96.23%	96.39%	101.68%	102.03%
Covered payroll	\$ 3,265,596	\$ 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	-5.65%	12.43%	6.63%	8.52%	9.38%	8.45%	-3.84%	-4.63%

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

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 203,511	\$ 184,180	\$ 167,342	\$ 163,014	\$ 150,137	\$ 136,828	\$ 129,703	\$ 121,740	\$ 117,133
Contributions	203,544	184,180	167,342	163,014	150,137	136,828	129,703	121,740	117,133
Contribution deficiency (surplus)	\$ (33)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,508,815	\$ 3,265,596	\$ 2,967,054	\$ 2,772,343	\$ 2,671,478	\$ 2,631,306	\$ 2,494,281	\$ 2,341,146	\$ 2,256,506
Contributions as a percentage of covered payroll	5.80%	5.64%	5.64%	5.88%	5.62%	5.20%	5.20%	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 2022 were calculated based on the June 30, 2020 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 based on actual experience including an adjustment for some anticipated improvement
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, 2022

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Solid Waste Fund</u>	
ASSETS				
Cash and cash equivalents	\$ 475,568	\$ 35,331	\$ 94,883	\$ 605,782
Receivables				
Customer	-	-	61,540	61,540
Other	-	400	3,133	3,533
Less allowance for doubtful accounts	-	-	(24,214)	(24,214)
Due from other governments	38,185	-	-	38,185
Due from other funds	-	-	3,188	3,188
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 513,753</u>	<u>\$ 35,731</u>	<u>\$ 138,530</u>	<u>\$ 688,014</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,848	\$ 4,804	\$ 22,194	\$ 28,846
Due to other funds	5,729	3,857	22,215	31,801
Total liabilities	<u>7,577</u>	<u>8,661</u>	<u>44,409</u>	<u>60,647</u>
FUND BALANCES				
Restricted	506,176	27,070	94,121	627,367
Total fund balances	<u>506,176</u>	<u>27,070</u>	<u>94,121</u>	<u>627,367</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 513,753</u>	<u>\$ 35,731</u>	<u>\$ 138,530</u>	<u>\$ 688,014</u>

CITY OF MUNFORD, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	Special Revenue Funds			Total Nonmajor Governmental Funds
	State Street Aid Fund	Drug Fund	Solid Waste Fund	
REVENUES				
Intergovernmental - state gas tax	\$ 220,181	\$ -	\$ -	\$ 220,181
Charges for services	-	-	452,259	452,259
Fines, forfeitures, and penalties	-	16,283	-	16,283
Interest income	2,145	101	408	2,654
Other	-	3,500	-	3,500
Total revenues	<u>222,326</u>	<u>19,884</u>	<u>452,667</u>	<u>694,877</u>
EXPENDITURES				
Current				
Public safety	-	12,453	-	12,453
Solid waste	-	-	433,944	433,944
Highways and streets	130,742	-	-	130,742
Debt Service				
Principal	35,884	-	-	35,884
Interest	29,723	-	-	29,723
Total expenditures	<u>196,349</u>	<u>12,453</u>	<u>433,944</u>	<u>642,746</u>
Excess (deficiency) of revenues over (under) expenditures	25,977	7,431	18,723	52,131
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	860,049	-	-	860,049
Payment to escrow agent	(857,477)	-	-	(857,477)
Total other financing sources and uses	<u>2,572</u>	<u>-</u>	<u>-</u>	<u>2,572</u>
Net change in fund balances	28,549	7,431	18,723	54,703
Fund balances - beginning	<u>477,627</u>	<u>19,639</u>	<u>75,398</u>	<u>572,664</u>
Fund balances - ending	<u>\$ 506,176</u>	<u>\$ 27,070</u>	<u>\$ 94,121</u>	<u>\$ 627,367</u>

CITY OF MUNFORD, TENNESSEE

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

For the Year Ended June 30, 2022

	<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	\$ 120,000	\$ 110,000	\$ 113,088	\$ 3,088
Gas 1989	20,000	16,500	17,593	1,093
Gas 3 cent	34,000	30,000	32,590	2,590
Gas 2017	49,000	53,000	56,910	3,910
Interest income	2,500	2,145	2,145	-
Total Revenues	<u>225,500</u>	<u>211,645</u>	<u>222,326</u>	<u>10,681</u>
EXPENDITURES				
Highways and Streets				
Operations	275,000	131,075	128,170	2,905
Capital outlay	-	-	2,572	2,572
Total highways and streets	<u>275,000</u>	<u>131,075</u>	<u>130,742</u>	<u>5,477</u>
Debt Service				
Principal	26,988	29,582	35,884	(6,302)
Interest	30,185	35,145	29,723	5,422
Total debt service	<u>57,173</u>	<u>64,727</u>	<u>65,607</u>	<u>(880)</u>
Total Expenditures	<u>332,173</u>	<u>195,802</u>	<u>196,349</u>	<u>4,597</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(106,673)</u>	<u>15,843</u>	<u>25,977</u>	<u>10,134</u>
OTHER FINANCING SOURCES (USES)				
Refunding bonds	-	2,121	860,049	857,928
Payment to escrow agent	-	-	(857,477)	(857,477)
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,121</u>	<u>2,572</u>	<u>451</u>
Net change in fund balances	<u>\$ (106,673)</u>	<u>\$ 17,964</u>	<u>28,549</u>	<u>\$ 10,585</u>
Fund balances - beginning			<u>521,648</u>	
Fund balances - ending			<u>\$ 550,197</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, 2022

	<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	\$ 3,000	\$ 16,170	\$ 16,283	\$ 113
Other income	-	3,500	3,500	-
Interest income	80	101	101	-
Total Revenues	<u>3,080</u>	<u>19,771</u>	<u>19,884</u>	<u>113</u>
EXPENDITURES				
Public Safety				
Operations	1,850	4,900	4,223	677
Capital outlay	5,000	8,500	8,230	270
Total Expenditures	<u>6,850</u>	<u>13,400</u>	<u>12,453</u>	<u>947</u>
Net change in fund balances	<u>\$ (3,770)</u>	<u>\$ 6,371</u>	7,431	<u>\$ 1,060</u>
Fund balances - beginning			<u>19,639</u>	
Fund balances - ending			<u>\$ 27,070</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, 2022

	<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	\$ 440,874	\$ 444,000	\$ 452,259	\$ 8,259
Interest income	250	408	408	-
Total Revenues	<u>441,124</u>	<u>444,408</u>	<u>452,667</u>	<u>8,259</u>
EXPENDITURES				
Solid Waste				
Operations	239,760	252,000	255,198	(3,198)
Capital outlay	-	-	-	-
Allocations	<u>175,276</u>	<u>181,000</u>	<u>178,746</u>	<u>2,254</u>
Total Expenditures	<u>415,036</u>	<u>433,000</u>	<u>433,944</u>	<u>(944)</u>
Net change in fund balances	<u>\$ 26,088</u>	<u>\$ 11,408</u>	18,723	<u>\$ 7,315</u>
Fund balances - beginning			<u>75,398</u>	
Fund balances - ending			<u>\$ 94,121</u>	

SUPPORTING SCHEDULES

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
ALL FUNDS
June 30, 2022

Fiscal Year	Pooled Financing TN Municipal Bond Fund Series 2005		Water and Sewer General Obligation Bond Fund Series 2008		Water and Sewer State Revolving Loan Fund Series 2009		Pooled Financing Capital Outlay Note Series 2013		Pooled Financing Capital Outlay Note Series 2019		Water and Sewer Revenue and Tax Refunding Bond Series 2021	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$271,000	\$ 4,817	\$ 57,000	\$ 2,582	\$ 19,241	\$ 1,650	\$ 92,083	\$ 7,182	\$ 31,817	\$ 837	\$ 31,555	\$ 14,086
2023	281,000	3,272	59,000	2,257	19,417	1,474	92,083	4,788	-	-	32,700	13,270
2024	293,000	1,670	62,000	1,921	19,595	1,296	92,083	2,394	-	-	33,500	12,429
2025	-	-	64,000	1,568	19,774	1,117	-	-	-	-	34,300	11,568
2026	-	-	67,000	1,203	19,955	936	-	-	-	-	35,200	10,686
2027	-	-	70,000	821	20,137	754	-	-	-	-	36,100	9,780
2028	-	-	74,000	422	20,321	570	-	-	-	-	37,000	8,852
2029	-	-	-	-	20,507	384	-	-	-	-	38,000	7,899
2030	-	-	-	-	20,694	197	-	-	-	-	38,900	6,923
2031	-	-	-	-	10,410	26	-	-	-	-	39,900	5,922
2032	-	-	-	-	-	-	-	-	-	-	40,900	4,896
2033	-	-	-	-	-	-	-	-	-	-	43,000	3,830
2034	-	-	-	-	-	-	-	-	-	-	43,000	2,738
2035	-	-	-	-	-	-	-	-	-	-	44,100	1,632
2036	-	-	-	-	-	-	-	-	-	-	42,200	536
2037	-	-	-	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$845,000</u>	<u>\$ 9,759</u>	<u>\$453,000</u>	<u>\$10,774</u>	<u>\$190,051</u>	<u>\$ 8,404</u>	<u>\$276,249</u>	<u>\$14,364</u>	<u>\$ 31,817</u>	<u>\$ 837</u>	<u>\$570,355</u>	<u>\$115,047</u>

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CITY OF MUNFORD, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
ALL FUNDS
June 30, 2022

Fiscal Year	Pooled Financing General Obligation Refunding Bond Series 2021		Pooled Financing General Obligation Refunding Bond Series 2021A		Water and Sewer TN Municipal Bond Fund Series 2022		Finance Lease		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 86,000	\$ 34,415	\$ 70,000	\$ 35,301	\$ 54,000	\$13,411	\$ 898	\$ -	\$ 712,696	\$ 114,281
2023	88,000	32,368	72,000	33,579	56,000	11,715	-	-	700,200	102,723
2024	90,000	30,274	73,000	31,808	57,000	9,957	-	-	720,178	91,749
2025	93,000	28,132	74,000	30,012	59,000	8,167	-	-	344,074	80,564
2026	95,000	25,918	76,000	28,192	61,000	6,315	-	-	354,155	73,250
2027	99,000	23,657	78,000	26,322	63,000	4,399	-	-	366,237	65,733
2028	102,000	21,301	80,000	24,403	65,000	2,421	-	-	378,321	57,969
2029	105,000	18,873	81,000	22,435	12,104	380	-	-	256,611	49,971
2030	108,000	16,374	84,000	20,443	-	-	-	-	251,594	43,937
2031	110,000	13,804	86,000	18,376	-	-	-	-	246,310	38,128
2032	113,000	11,186	88,000	16,261	-	-	-	-	241,900	32,343
2033	116,000	8,497	90,000	14,096	-	-	-	-	249,000	26,423
2034	120,000	5,736	92,000	11,882	-	-	-	-	255,000	20,356
2035	121,000	2,880	94,000	9,619	-	-	-	-	259,100	14,131
2036	-	-	97,000	7,306	-	-	-	-	139,200	7,842
2037	-	-	99,000	4,920	-	-	-	-	99,000	4,920
2038	-	-	101,000	2,485	-	-	-	-	101,000	2,485
	<u>\$1,446,000</u>	<u>\$273,415</u>	<u>\$1,435,000</u>	<u>\$337,440</u>	<u>\$427,104</u>	<u>\$56,765</u>	<u>\$ 898</u>	<u>\$ -</u>	<u>\$5,674,576</u>	<u>\$826,805</u>

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
June 30, 2022

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 01, 2021	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2022
Governmental Activities									
Direct Borrowings:									
<u>Payable through General Fund</u>									
General Obligation Bond, Series 2005	\$ 4,000,000	.57%*	12/13/2005	5/30/2025	\$ 451,770	\$ -	\$ (106,288)	\$ -	\$ 345,482
Capital Outlay Note, Series 2013	1,105,000	2.60%	4/22/2013	4/21/2025	190,169	-	(47,544)	-	142,625
TML Bond Fund, Series 2017	2,000,000	3.02%	5/12/2016	5/25/2036	466,138	-	-	(466,138)	-
Capital Outlay Note, Series 2019	93,003	2.60%	8/1/2019	8/1/2022	62,809	-	(30,992)	-	31,817
G.O. Refunding Bonds, Series 2021	1,529,630	2.23%	9/15/2021	5/1/2036	-	472,350	(25,825)	-	446,525
Equipment Finance Lease	26,940	5.00%	9/15/2017	8/15/2022	6,762	-	(5,864)	-	898
					<u>1,177,648</u>	<u>472,350</u>	<u>(216,513)</u>	<u>(466,138)</u>	<u>967,347</u>
<u>Payable through State Street Aid Fund</u>									
TML Bond Fund, Series 2019	\$ 1,600,000	4.27%	2/20/2019	2/1/2034	\$ 857,477	\$ -	\$ -	\$ (857,477)	\$ -
G.O. Refunding Bonds, Series 2021A	1,497,479	2.31%	11/1/2021	2/1/2039	-	860,049	(35,884)	-	824,165
					<u>857,477</u>	<u>860,049</u>	<u>(35,884)</u>	<u>(857,477)</u>	<u>824,165</u>
Total Long-Term Debt for Governmental Activities					<u>\$ 2,035,125</u>	<u>\$ 1,332,399</u>	<u>\$ (252,397)</u>	<u>\$ (1,323,615)</u>	<u>\$ 1,791,512</u>
Business-Type Activities									
Direct Borrowings:									
<u>Payable through Water and Sewer Fund</u>									
General Obligation Bond, Series 2005	\$ 4,000,000	.57%*	12/13/2005	5/30/2025	\$ 367,063	\$ -	(86,320)	\$ -	\$ 280,743
Revenue and Tax Bond, Series 2004	761,000	4.25%	3/17/2005	3/17/2043	571,338	-	(983)	(570,355)	-
General Obligation Bond, Series 2008	1,000,000	.57%*	7/10/2008	6/30/2029	507,000	-	(54,000)	-	453,000
State Revolving Loan Fund, Series 2009	636,435	0.91%	1/1/2012	12/1/2031	209,117	-	(19,066)	-	190,051
Capital Outlay Note, Series 2013	1,105,000	2.60%	4/22/2013	4/21/2025	178,163	-	(44,539)	-	133,624
TML Bond Fund, Series 2019	1,600,000	4.27%	2/20/2019	2/1/2034	635,523	-	-	(635,523)	-
Revenue and Tax Refunding Bond, Series 2021	570,355	2.39%	11/4/2021	10/1/2036	-	570,355	-	-	570,355
G.O. Refunding Bonds, Series 2021A	1,497,479	2.31%	11/1/2021	2/1/2039	-	637,430	(26,595)	-	610,835
TML Bond Fund, Series 2022	2,000,000	3.14%	5/5/2022	5/1/2047	-	427,104	-	-	427,104
					<u>2,468,204</u>	<u>1,634,889</u>	<u>(231,503)</u>	<u>(1,205,878)</u>	<u>2,665,712</u>
<u>Payable through Gas Fund</u>									
General Obligation Bond, Series 2005	\$ 4,000,000	.57%*	12/13/2005	5/30/2025	\$ 286,167	\$ -	(67,392)	\$ -	\$ 218,775
TML Bond Fund, Series 2017	2,000,000	3.02%	5/12/2016	5/25/2036	1,043,862	-	-	(1,043,862)	-
G.O. Refunding Bonds, Series 2021	1,529,630	2.23%	9/15/2021	5/1/2036	-	1,057,280	(57,805)	-	999,475
					<u>1,330,029</u>	<u>1,057,280</u>	<u>(125,197)</u>	<u>(1,043,862)</u>	<u>1,218,250</u>
Total Long-Term Debt for Business-Type Activities					<u>\$ 3,798,233</u>	<u>\$ 2,692,169</u>	<u>\$ (356,700)</u>	<u>\$ (2,249,740)</u>	<u>\$ 3,883,962</u>

* Variable rate Tennessee Municipal Bond Fund loan rate for June 30, 2022 was 0.57%.

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE - BY LEVY YEAR
For the Year Ended June 30, 2022

Year of Levy	Balance June 30, 2021	Assessment	Adjustments/ Abatements	Collections	June 30, 2022
2022	\$ -	\$ 1,587,530	\$ -	\$ -	\$ 1,587,530
2021	1,516,637	-	1,294	(1,477,496)	40,435
2020	53,884	-	-	(41,600)	12,284
2019	17,357	-	-	(9,538)	7,819
2018	5,436	-	-	(2,358)	3,078
2017	3,858	-	-	(936)	2,922
2016	833	-	-	-	833
2015	517	-	-	(208)	309
2014	2,121	-	-	(231)	1,890
2013	2,672	-	-	(474)	2,198
Prior Years	51,644	-	(6,359)	(30,423)	14,862
Total	1,654,959	\$ 1,587,530	\$ (5,065)	\$ (1,563,264)	1,674,160
Allowance for uncollectible property taxes	(166,425)				(107,426)
Net receivables	\$ 1,488,534				\$ 1,566,734

PROPERTY TAX RATES AND ASSESSMENTS - LAST 10 YEARS

Year of Levy	Realty and Personalty	Tax Rate per \$100	Levy
2022	\$ 135,744,350	\$ 1.17	\$ 1,587,530
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

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	\$ 52,752	\$ -
Gas Fund	121,877	-
	<u>174,629</u>	<u>-</u>
Water and Sewer Fund		
General Fund	-	52,752
Gas Fund		
General Fund	-	121,877
	<u>\$ 174,629</u>	<u>\$ 174,629</u>

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF BONDS OF PRINCIPAL OFFICIALS
 June 30, 2022

	<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, 2022

As of June 30, 2022, City of Munford, Tennessee served approximately 3,480 water customers, 2,240 sewer customers, and 7,450 gas customers subject to the following rate structure:

Water Rates

Inside City Limits

First 1,000 gallons	\$9.34
Over 1,000 gallons	\$2.83 per 1,000 gallons

Outside City Limits

First 1,000 gallons	\$15.57
Over 1,000 gallons	\$4.05 per 1,000 gallons

Atoka

First 5 million gallons	\$2.31 per 1000 gallons
Over 5 million gallons	\$2.31 per 1000 gallons

Sewer Rates

Inside City Limits

Base charge	\$9.34
First 2,000 gallons	\$4.53 per 1,000 gallons
Next 2,000 gallons	\$5.11 per 1,000 gallons
Over 4,000 gallons	\$5.68 per 1,000 gallons

Outside City Limits

Sewer is not taken from outside the city limits except in bulk from Brighton and Atoka.

Gas Rates

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

GOVERNMENT AUDITING STANDARDS SECTION

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Contract Number	Expenditures
U.S. Department of Transportation			
<u>Passed through State of Tennessee, Department of Transportation</u>			
Alcohol Open Container Requirements Grant	20.607	15AL-21-120	\$ 4,474
U.S. Department of Treasury			
<u>Direct Award</u>			
COVID-19 - Coronavirus State and Local Recovery Funds	21.027	N/A	742,143
Total federal awards			746,617
State Financial Assistance			
State of Tennessee Library Grant			1,245
State of Tennessee Library ARPA Grant			20,417
State of Tennessee Governor's Local Support Grant			81,838
Total state financial assistance			103,500
Total Federal Awards and State Financial Assistance			\$ 850,117

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

CITY OF MUNFORD, TENNESSEE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 For the Year Ended June 30, 2022

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, 2022. 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	\$ 911,229
Less: Decrease in unavailable revenue at the fund level	(59,861)
Less: Non-federal and non-state grants	(1,251)
Total federal awards and state financial assistance	<u>\$ 850,117</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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 13, 2023.

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) as a basis for designing 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 2022-001– 2022-003.

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
July 13, 2023

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2022

A. COMPLIANCE AND OTHER MATTERS

2022-001 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 administrative and fire departments in the General Fund.

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

Cause: Allocations of shared expenses were updated and budgets were not amended.

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.

2022-002 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.

Cause: Internal control policies were not followed.

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.

2022-003 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.

Cause: Internal control policies were not followed.

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, 2022

A. PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

Prior Year Finding Number	Finding Title	Status
2021-001	Expenditures in excess of budget (Original Finding #2019-001)	Repeated 2022-001
2021-002	Accounting Records No Closed withing Two Months of Fiscal Year End (Original Finding #2021-002)	Repeated 2022-002
2021-003	Audited Financials Were Not Filed by December 31 (Original Finding #2021-003)	Repeated 2022-003



City of Munford, Tennessee

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

MANAGEMENT'S CORRECTIVE ACTION PLAN

The City of Munford, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2022. The findings from the June 30, 2022, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2022-001: Expenditures in Excess of Budget

Planned Corrective Action:

Careful planning for AJE's at year-end, so this does not happen again.

2022-002: Accounting Records Not Closed within Two Months of Fiscal Year End

Planned Corrective Action:

All accounting records will be closed within the sixty-day window of fiscal year end.

2022-003: Audited Financials Were Not Filed by December 31

Planned Corrective Action:

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, 2023

Respectively submitted,

Sherry Yelvington
City Recorder, City of Munford, Tennessee