

MURFREESBORO STORMWATER FUND

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2022

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INTRODUCTORY SECTION

MURFREESBORO STORMWATER FUND

Board Members and Management Officials

June 30, 2022

Board Members

ChairmanJohn Sant Amour, Jr.
Board MemberBrian Kidd
Board MemberDr. Alphonse Carter, Jr.
Board MemberRon Crabtree
Board MemberKathy Nobles
Board MemberSandra Trail
Board MemberMadelyn Scales-Harris
Board MemberKirt Wade

Management Officials

DirectorDarren Gore
Assistant Director,
Finance & Administration.....Doug Swann

FINANCIAL SECTION



JOB, HASTINGS & ASSOCIATES

Certified Public Accountants

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James R. Jobe, CPA
C. Jared Forrester, CPA, CSEP
Andrew J. Nickerson, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Murfreesboro Stormwater Fund
Murfreesboro, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Murfreesboro Stormwater Fund of the City of Murfreesboro, Tennessee, as of and for the year ended June 30, 2022, and the related notes to the 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 financial position of the Murfreesboro Stormwater Fund of the City of Murfreesboro, Tennessee, as of June 30, 2022, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note A, the financial statements present only the Murfreesboro Stormwater Fund and do not purport to, and do not, present fairly the financial position of the City of Murfreesboro, Tennessee, as of June 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 Murfreesboro Stormwater Fund'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 Murfreesboro Stormwater Fund'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, pension data, and post-employment benefit data on pages 3-6 and 20-22 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory sections and schedule of customers and rate structure on page 23 but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2023, on our consideration of the Murfreesboro Stormwater Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Murfreesboro Stormwater Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Murfreesboro Stormwater Fund's internal control over financial reporting and compliance.



Certified Public Accountants

Murfreesboro, Tennessee
January 27, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD & A) of Murfreesboro Stormwater Fund activities and financial performance provides the reader with an introduction and overview to the financial statements of the Murfreesboro Stormwater Fund (Stormwater) for the year ended June 30, 2022. This information should be considered within the context of the accompanying financial statements and note disclosures.

FINANCIAL OPERATIONS HIGHLIGHTS

- ◆ Stormwater's net position was \$9,258,959 at June 30, 2022, an increase of \$206,491 (2.28%) compared to the year ended June 30, 2021.
- ◆ The stormwater fund's Unrestricted Net Position as of June 30, 2022 is \$3,442,521, a decrease of \$224,274 (7.33%) over the year ended June 30, 2021. Unrestricted Net Position reserves is anticipated to fund future capital projects. A 5-yr capital improvement plan (CIP) totaling \$3,926,000 was approved by the Water Resources Board and City Council in the FY23 budget.
- ◆ In FY22, the stormwater fund budgeted \$430,000 for engineering and inspection services provided by the City's General fund personnel for drainage system maintenance, erosion prevention and sediment control.
- ◆ In FY22 the stormwater fund budgeted \$725,000 for City General Fund personnel and associated costs involved with stormwater cleaning, repair and street sweeping operations.
- ◆ Operating Revenue increased by \$97,090 (3.0%) due to continued development occurring within the City of Murfreesboro.
- ◆ The FY2022-2023 upcoming capital projects identified by City Engineering as funded in FY23, as tabulated below:

PROJECT	2023 FY
Neighborhood Projects (NP)	
Memorial Blvd / Haynes Dr. Drainage Improvements	\$125,000
Mitchell-Nielson Drainage Project	\$50,000
Huntwood/Leaf Ave Neighborhood Drainage Imp.	\$100,000
Southern Meadows / Kimbro Woods Drainage Imp.	\$250,000
Water Quality Improvement (Compliance) Projects (WQ)	
Molloy Lane Water Quality Pond	\$25,000
Rosebank Springs Constructed Wetlands	\$35,000
Sinking Creek Headwater protection BMP	\$30,000
Hooper's Bottom Regional Water Quality Project	\$25,000
Spence Creek Restoration	\$25,000
Sinking Creek/ Northfield Blvd Commercial Retrofit Study/Project	\$25,000
Downtown planter box retrofits study/project	\$25,000
Oakland Court street-side rain gardens	\$150,000
Public Drainage/Streets Participation Projects (PD)	
Dow Street Channel Stabilization	\$20,000
Tyne Street Drainage Improvements	\$25,000
Walter Hill Drainage Improvements	\$25,000
Totals	\$935,000

- ◆ The Water Resources Board and City Council adopted the Murfreesboro Stormwater Fund Financial Management Policies in July 2013. The main financial management policies are categorized as follows:
 - General Financial Policies
 - Minimum Working Capital Reserve Balance of twelve (12) months operating expenses or \$2,687,500
 - Maximum Working Capital Reserve Balance of sixty (60) months operating expenses or \$13,437,500
 - “Growth shall pay for growth”
 - Debt Management Policies
 - Goal is to have no debt associated with the stormwater enterprise fund
 - In the event that debt is incurred:
 - The minimum annual debt service coverage ratio shall be greater than 1.2
 - The City shall maintain debt service as a percent of revenue at or below 35% of revenues.
 - Fund Participation Policy
 - Should the City choose to participate in supporting a project that serves a larger identified need, fulfills a public purpose or is in accordance with an approved Master Plan, then the City shall prepare a schedule that defines the level of stormwater fund participation by the City and submit the proposal to the Water Resources Board for recommendation and subsequent consideration by the City Council.
- ◆ On May 4, 2017, the City Council amended a section of the approved Murfreesboro Stormwater Fund Financial Management Policies by lowering the minimum working capital reserve balance to three (3) months of operating expenses. For FY23 this amount is \$671,875.

As of June 30, 2022, Murfreesboro Stormwater Fund serves just under 43,500 customers.

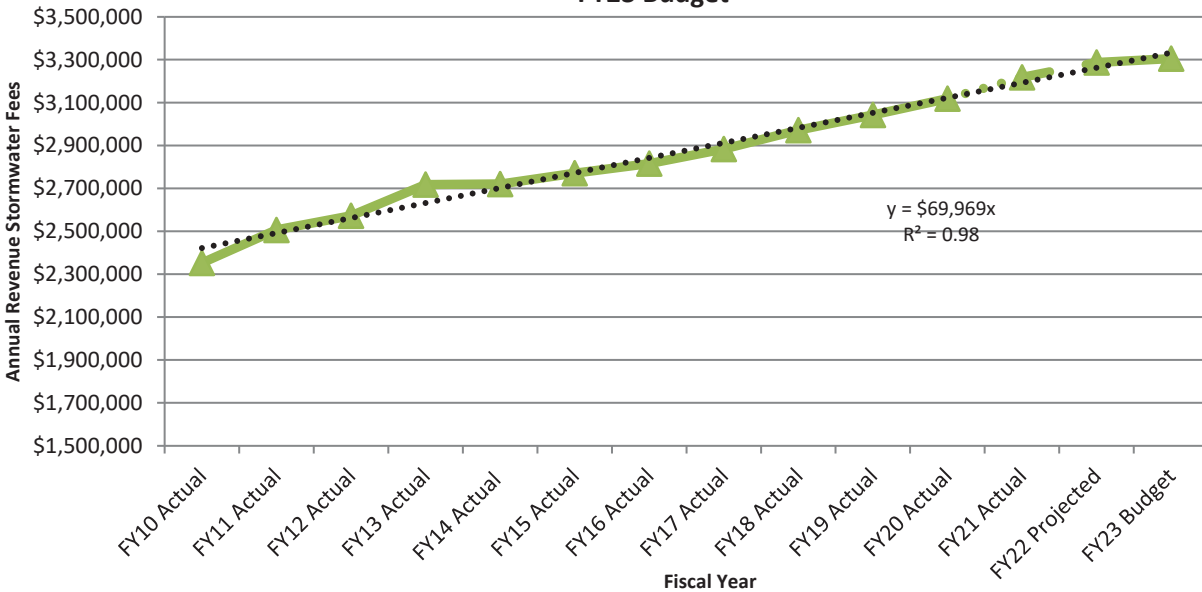
Residential customers pay a fee of \$3.25 per month. Owners of multi-family units and commercial/industrial/government customers pay a fee based on the amount of impervious surface. That rate is \$3.25 for each 3,470 of impervious area.

Rate adjustments for the stormwater fee are not anticipated. Operating expenses for the stormwater fund are adequately covered with the existing fee of \$3.25 per month per single family unit or equivalent. The fee rate is therefore controlled by the level of expenditures on capital improvements. If capital improvement outlays allow the reserve balance to reside within three (3) to sixty (60) months of operating expenses.

The gross revenue generated by the stormwater fee is budgeted at \$3,305,000 with operation expenses budgeted at \$2,687,500, stormwater repair and replacement at \$200,000, and rate funded capital expenditures at \$350,000. The anticipated excess funds above operating expenses and rate funded capital expenditures are \$67,500. The stormwater fund has developed a Capital Improvements Plan, currently totaling \$3,926,000 from FY22 through FY26. A five (5) year pro forma has been developed to demonstrate the banking of excess revenues to pay for these proposed capital improvements without incurring any debt. Financial policies for the stormwater enterprise fund were adopted by the Water Resources Board and City Council on May 21, 2013 and July 11, 2013, respectively. An amendment to these policies was approved in FY18 to allow the minimum working reserve balance to be lowered to no less than three (3) months of operating expenses, or \$671,875 for FY23.

The chart below shows that the stormwater fund has grown by approximately \$70,000 each year. That is equal to approximately 1,795 single family unit equivalents annually. The average impervious square footage is equal to 3,470 square feet per single family unit, which equates to the City adding approximately 143 acres of imperviousness annually. These imperviousness areas have been required to meet the City's permanent stormwater runoff treatment standards since 2008.

**Stormwater Revenue History FY10-FY22
FY23 Budget**



OVERVIEW OF THE FINANCIAL STATEMENTS

Stormwater is an enterprise fund of the City of Murfreesboro, Tennessee. MD & A introduces Stormwater's basic financial statements. The basic financial statements include the statement of net position, statement of revenue, expenses and changes in net position, statement of cash flow and notes to the financial statements.

The statement of net position reports all of Stormwater's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases typically give some indication of whether the financial position of Stormwater is improving or deteriorating.

The statement of revenues, expenses and changes in net position reports all revenues and expenses for the year, regardless of whether cash has been received or paid. This statement measures the success of operations over the past year and can be used to determine whether Stormwater has successfully recovered all its costs through charges to the public. The statement also reconciles the beginning and ending amounts of net position.

The last statement is the statement of cash flow. The primary purpose of this statement is to provide information about Stormwater's cash receipts and cash payments for the year. This statement reports how much cash was generated from operations and then shows how that cash was used to make capital additions and retire debt.

Summary information regarding Stormwater Fund's financial position is as follows:

	June 30, 2022	June 30, 2021
Cash	\$ 6,672,035	\$ 6,422,970
Utility Plant	5,628,109	5,337,673
Deferred Outflows	238,782	160,411
Prepaid Expenses and Other Assets	207,461	179,995
Total Assets and Deferred Outflows of Resources	<u>\$ 12,746,387</u>	<u>\$ 12,101,049</u>
Trade Accounts Payable	\$ 16,439	\$ 32,335
Other Liabilities	22,779	42,377
Deferred Inflows	834,703	185,501
Due to Other Funds	791,031	550,663
Long-Term Liabilities	1,822,476	1,291,353
Total Liabilities and Deferred Inflows of Resources	<u>\$ 3,487,428</u>	<u>\$ 2,102,229</u>
Net Position		
Net Investment in capital assets	\$ 5,628,109	\$ 5,337,673
Restricted for net pension asset	188,329	\$ -
Unrestricted	3,442,521	4,661,147
Total Net Position	<u>\$ 9,258,959</u>	<u>\$ 9,998,820</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 12,746,387</u>	<u>\$ 12,101,049</u>

Summary information regarding Stormwater Fund's operations is as follows:

	June 30, 2022	June 30, 2021
Operating Revenues	<u>\$ 3,315,191</u>	<u>\$ 3,218,101</u>
Operating Expenses	\$ 1,184,545	\$ 1,319,945
Payroll Expenses	514,956	516,929
Maintenance Expenses	509,895	416,747
Stormwater Project Participation	400,000	400,000
Depreciation Expenses	508,596	601,621
Total Operating Expenses	<u>\$ 3,117,992</u>	<u>\$ 3,255,242</u>
Operating Income (Loss)	<u>\$ 197,199</u>	<u>\$ (37,141)</u>
Non-Operating Revenues (Expenses)		
Interest Revenue	9,292	11,829
Loss on Disposal of Utility Plant		
Total Non-Operating Revenues (Expenses)	<u>\$ 9,292</u>	<u>\$ 11,829</u>
Increase(Decrease) in Net Position	<u>\$ 206,491</u>	<u>\$ (25,312)</u>
Net Position at beginning of year, as previously stated	\$ 9,998,820	\$ 10,024,132
Prior Period Adjustment	(946,352)	
Net Position at beginning of year, as restated	<u>\$ 9,052,468</u>	<u>\$ 10,024,132</u>
Net Position, end of year	<u>\$ 9,258,959</u>	<u>\$ 9,998,820</u>

MURFREESBORO STORMWATER FUND

Statement of Net Position

June 30, 2022

ASSETS

Current Assets -

Cash	\$ 6,672,035
Prepaid expenses	19,132

TOTAL CURRENT ASSETS \$ 6,691,167

Noncurrent Assets -

Net pension asset	\$ 188,329
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Capital assets -

Land and construction in progress	\$ 2,939,744
Other capital assets, net of depreciation	2,688,365

TOTAL NONCURRENT ASSETS \$ 5,816,438

TOTAL ASSETS \$ 12,507,605

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	\$ 65,203
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Deferred outflows related to OPEB	173,579
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TOTAL DEFERRED OUTFLOWS OF RESOURCES \$ 238,782

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$ 12,746,387

LIABILITIES

Current Liabilities -

Trade accounts payable	\$ 16,439
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Other liabilities	18,769
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Compensated absences - current	4,010
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Due to other funds	791,031
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TOTAL CURRENT LIABILITIES \$ 830,249

Long-term Liabilities -

Compensated absences	\$ 39,307
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Total OPEB liability	1,783,169
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TOTAL LONG-TERM LIABILITIES \$ 1,822,476

TOTAL LIABILITIES \$ 2,652,725

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	\$ 257,465
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Deferred inflows related to OPEB	577,238
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TOTAL DEFERRED INFLOWS OF RESOURCES \$ 834,703

NET POSITION

Investment in capital assets	\$ 5,628,109
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Restricted for net pension asset	188,329
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Unrestricted	3,442,521
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Total Net Position	\$ 9,258,959
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TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION \$ 12,746,387

See notes to financial statements.

MURFREESBORO STORMWATER FUND

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2022

Operating Revenues	\$ <u>3,315,191</u>
Operating Expenses -	
Operating expenses	\$ 1,184,545
Payroll expenses	514,956
Stormwater project participation	400,000
Maintenance expenses	509,895
Depreciation	508,596
Total operating expenses	\$ <u>3,117,992</u>
Operating Income	\$ <u>197,199</u>
Non-operating Revenues -	
Interest revenue	\$ <u>9,292</u>
Total non-operating revenues	\$ <u>9,292</u>
Increase in net position	\$ <u>206,491</u>
Net Position at beginning of year, as previously stated	\$ 9,998,820
Prior period adjustment	<u>(946,352)</u>
Net Position at beginning of year, as restated	\$ <u>9,052,468</u>
Net Position at end of year	\$ <u><u>9,258,959</u></u>

See notes to financial statements.

MURFREESBORO STORMWATER FUND

Statement of Cash Flows

Year Ended June 30, 2022

Cash Flows from Operating Activities -	
Transfers of stormwater fees from the Murfreesboro Water Resources Department	\$ 590,730
Reimbursements to the Murfreesboro Water Resources Department for Stormwater fund expenses	(350,957)
Net Cash Provided by Operating Activities	<u>\$ 239,773</u>
Cash Flows From Investing Activities -	
Interest revenue received	\$ 9,292
Net Cash Provided by Investing Activities	<u>\$ 9,292</u>
Net increase in cash	\$ 249,065
Cash at beginning of year	6,422,970
Cash at end of year	<u>\$ 6,672,035</u>
Reconciliation of Operating Income to Net Cash -	
Provided by Operating Activities:	
Operating income	\$ 197,199
Adjustments to reconcile operating income to net cash provided by operating activities -	
Depreciation	508,596
Construction in progress expensed in current year	3,610
Changes in assets, deferred inflows of resources, liabilities and deferred outflows of resources -	
(Increase) decrease in due from other funds	174,731
(Increase) decrease in prepaid expenses	(13,868)
(Increase) decrease in net pension asset	(188,329)
(Increase) decrease in deferred outflows related to pensions	95,208
(Increase) decrease in deferred outflows related to OPEB	(173,579)
Increase (decrease) in accounts payable	(99,628)
Increase (decrease) in other liabilities	(17,069)
Increase (decrease) in compensated absences	138
Increase (decrease) in due to other funds	(478,542)
Increase (decrease) in net pension liability	(157,687)
Increase (decrease) in total OPEB liability	(260,209)
Increase (decrease) in deferred inflows related to pensions	160,008
Increase (decrease) in deferred inflows related to OPEB	489,194
Net Cash Provided by Operating Activities	<u>\$ 239,773</u>
Non-Cash Capital and Related Financing Activities -	
Capital assets purchased by other funds	\$ 718,910
Construction in progress in accounts payable	83,732
	<u>\$ 802,642</u>

See notes to financial statements.

MURFREESBORO STORMWATER FUND

Notes to Financial Statements

June 30, 2022

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Murfreesboro Stormwater Fund (the Fund) is presented to assist in understanding the Fund's financial statements. The financial statements and notes are representations of the Fund's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles.

Organization - The Fund was formed on August 3, 2007 by Ordinance of the City of Murfreesboro, Tennessee (the City) in accordance with T.C.A. Section 68-221-1101 to facilitate municipal compliance with the Water Quality Act of 1977, and applicable EPA regulations. The purpose of the Stormwater Fund is to account for stormwater management functions such as regulating stormwater discharges, establishment of a system of drainage facilities, construction and operation of a system of stormwater management and flood control facilities. The Fund is funded by a stormwater user fee which is billed to property owners of record in conjunction with the Water Resources Department's monthly billing cycles. The fees were set in such a manner as to fully recover its costs, including capital costs (such as depreciation or debt service).

Financial Reporting - The Fund is considered a proprietary fund of the City and its financial statements are included in the general purpose financial statements of the City.

Murfreesboro Water Resources Department maintains all financial records and activity for the Fund. All cash transactions are processed through Murfreesboro Water Resources Department's accounts and are treated as Due to/from on the books of the Fund.

Basis of Presentation - The Fund is an enterprise fund and utilizes the accrual basis of accounting. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Fund's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured by a pledge of the net revenues from fees and charges of the activity, or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the Fund is determined by its measurement focus. The transactions of the Fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e. total assets plus net deferred outflows net of total liabilities and net deferred inflows) is segregated into net investment in capital assets, restricted for net pension asset, and unrestricted components.

When both restricted and unrestricted resources are available for use, it is the Fund's policy to use restricted resources first and then unrestricted resources as they are needed.

Revenue Recognition - Revenue is recognized at the time that bills are processed and mailed. Bills are batched in several cycles each month. Operating revenues are fees generated from stormwater services provided to the general public.

Operating Revenues and Expenses - The Fund's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its principal ongoing operations. All other revenues and expenses are reported as non-operating revenues and expenses and consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Cash and Equivalents - For purposes of the statement of cash flows, the Fund considers all cash to be cash for operations.

MURFREESBORO STORMWATER FUND

Notes to Financial Statements (continued)

June 30, 2022

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Utility Plant - Utility plant in service is valued at historical cost. Cost includes material direct labor, and other indirect items such as engineering, supervision, and transportation expenses. The cost of repairs and maintenance is charged to expense when incurred whereas the cost of renewals and betterments is capitalized. The Fund capitalizes assets using a \$5,000 capitalization threshold.

Depreciation expense is provided for functional groups of plant accounts on the straight-line method. Rates assigned to utility plant are intended to distribute the cost of the depreciable property over their estimated useful lives ranging from 5 to 20 years.

The cost of depreciable, functional utility plant retired in the ordinary course of business plus removal costs, less salvage, is charged to accumulated depreciation. Gain or loss is generally recognized on the disposition or retirement of transportation equipment equal to the differences in the proceeds from sale, if any, and the net book value of the individual item. When portions of utility plant as a whole are retired, sold or abandoned, a gain or loss is recognized equal to the difference in the net book value and sales price or estimated realizable value.

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

Deferred inflows/outflows of resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Fund reports deferred charges on deferred outflows related to pensions and other post-employment benefits (OPEB) in this category. Deferred outflows related to pension plans are discussed in detail in Note D and deferred outflows related to OPEB are discussed in detail in Note G.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Fund has two types of items for reporting in this category. The Fund records deferred inflows relating to pensions and OPEB. Deferred inflows related to pension plans are discussed in detail in Note D. Deferred inflows related to OPEB are discussed in detail in Note G.

Compensated absences - Fund employees accrue personal leave, sick leave or compensated absences, by prescribed formulas based on length of service. The value of accumulated benefits earned by employees, that may be used in subsequent years or paid upon resignation, termination or retirement, is recorded as a long-term obligation in the Fund's financial statements. The current portion of this long-term obligation is estimated based on historical trends.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Implementation of GASB Statement No. 87 - During the fiscal year ended June 30, 2022, the Fund implemented GASB Statement No. 87, *Leases*. The Statement establishes a single model for lease accounting based on the foundational principal that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The new Statement did not have a material effect on the Fund's financial statements.

MURFREESBORO STORMWATER FUND

Notes to Financial Statements (continued)

June 30, 2022

Note B - DEPOSITS AND INVESTMENTS

Interest rate risk - The Fund has adopted a policy to minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rate by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in short-term securities, money market mutual funds, or similar investment pools.

Custodial credit risk - deposits and investments - This is the risk that in the event of a bank failure, the Fund's deposits may not be returned to it. The Fund has adopted a deposit and investment policy for custodial credit risk, which allows for deposits and investments to only be held with authorized financial dealers and institutions. All financial institutions who desire to become qualified for investment transactions must supply annual audited financial statements or be an active member of the State Collateral Pool. If the financial institution is not an active member of the State Collateral Pool, the deposits must be covered by either collateral securities held by the institution in the Fund's name or Federal Depository Insurance. At June 30, 2022, the carrying amount and the bank balance of cash deposits was \$6,672,035. At June 30, 2022, the entire bank balance was covered by federal depository insurance or by collateral held by the Tennessee Bank Collateral Pool.

Credit Risk - The Fund has adopted a policy to minimize the risk of loss due to the failure of the security issuer or backer by: limiting investments to the safest types of securities; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Fund will do business; diversifying the investment portfolio so that potential losses on individual securities will be minimized.

Investments - State statutes authorize the Fund to invest operating funds in bonds, notes, or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state-chartered banks and savings and loan associations, repurchase agreements utilizing the obligations of the United States or its agencies as the underlying securities, and state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. The Fund has no such investments at June 30, 2022.

Note C - UTILITY PLANT

Components of utility plant at June 30, 2022 are summarized as follows:

	Balance June 30, 2021	Increases	Adjustments Decreases	Balance June 30, 2022
Utility plant not being depreciated -				
Land	\$ 1,777,471			\$ 1,777,471
Construction in progress	723,636	\$ 442,247	\$ (3,610)	1,162,273
Subtotal	\$ 2,501,107	\$ 442,247	\$ (3,610)	\$ 2,939,744
Utility plant being depreciated -				
Structure and improvements	\$ 3,654,293	\$ 108,759		\$ 3,763,052
Vehicles	2,498,607	94,196		2,592,803
Equipment	641,719	157,440	\$ (788)	798,371
Subtotal	\$ 6,794,619	\$ 360,395	\$ (788)	\$ 7,154,226
Less accumulated depreciation for -				
Structure and improvements	\$ (1,507,903)	\$ (178,360)		\$ (1,686,263)
Vehicles	(2,011,973)	(228,037)		(2,240,010)
Equipment	(438,177)	(102,199)	\$ 788	(539,588)
Subtotal	\$ (3,958,053)	\$ (508,596)	\$ 788	\$ (4,465,861)
Utility plant, being depreciated, net	\$ 2,836,566	\$ (148,201)	\$ -	\$ 2,688,365
Utility plant, net	\$ 5,337,673	\$ 294,046	\$ (3,610)	\$ 5,628,109

MURFREESBORO STORMWATER FUND

Notes to Financial Statements (continued)

June 30, 2022

Note D - PENSION PLAN

General Information about the Pension Plan

Plan Description - Employees of the Fund are provided a defined benefit pension plan through the City of Murfreesboro Employees' Pension Plan (the Pension Plan). The Pension Plan covers all City employees except those employees of the school system, and the Evergreen Cemetery Commission. All other departments of the City, including the Water Resources Department and Stormwater Fund, are covered by the Pension Plan. The funds of the Pension Plan are invested in trust funds managed by Pinnacle Financial Partners who serves as trustee for the Pension Plan.

In accordance with the City Code, subject to approval by the City Council, Pension Plan provisions may be established or amended by the pension committee. The pension committee is an eight-member board appointed by City Council to oversee the City's Pension Plan. At least two of the board members must be participants in the Pension Plan. The current pension committee is comprised of three city employees, and one City Council member. The remaining board members have backgrounds in banking, investment advising and insurance.

The City issues a publicly available financial report that includes the required supplementary information for the Pension Plan. For more information regarding this Pension Plan contact the City Recorder's office:

Jennifer Brown
City Recorder/Finance Director
111 West Vine Street, P.O. Box 1139
Murfreesboro, TN 37133-1139
615-893-5210
jbrown@murfreesborotn.gov

The June 30, 2022 City of Murfreesboro comprehensive audited financial statements, including the Pension Plan, will be posted to the City's website at www.murfreesborotn.gov, once it is available.

Employees who were regularly employed for at least 30 hours per week for at least six months of the year became eligible to participate upon completion of ninety days of employment.

Each employee shall be classified as a general employee or as a firefighter or police officer.

Employees hired after June 30, 2010 are not eligible to participate in this plan.

Employment shall be the period of a participant's continuous and uninterrupted employment since their latest date of employment with the City; certain authorized leaves of absence do not interrupt continuous employment.

Benefits Provided - The Pension Plan provides for a basic monthly pension beginning at normal retirement age which is based upon the monthly compensation of the participant. The normal retirement date for general employees is the participant's 65th birthday or the participant's attainment of age 55 and completion of 30 years of service. The normal retirement date for firefighters and police officers is the participant's 55th birthday and 5 years of participation.

The normal retirement benefit, one twelfth of which is payable monthly for life, with the first 60 payments guaranteed, is equal to 2% of average earnings, multiplied by the total years of employment not in excess of 30 years. "Average earnings" is the average annual basic earnings of a participant for the five consecutive years of employment which produce the highest average.

A participant other than a firefighter or police officer may retire early after attaining age 55 and completion of 25 years of credited service, or upon attaining age 62 and completion of 20 years of credited service. The early retirement benefit, to commence immediately, is computed in the same manner as the normal retirement above using compensation and credited service to the date of early retirement, but is reduced actuarially for each year the participant's date of early retirement precedes his normal retirement date.

A participant may postpone their retirement beyond their normal retirement date provided that participant is physically and mentally capable of performing the duties and responsibilities of the participant's job. The benefit is computed in the same manner as for normal retirement, with the computation being made as the participant's actual retirement date.

MURFREESBORO STORMWATER FUND

Notes to Financial Statements (continued)

June 30, 2022

Note D - PENSION PLAN (continued)

General Information about the Pension Plan (continued)

In the event of the death of a married participant after becoming vested, a monthly survivorship benefit shall be paid to the participant's surviving spouse. In the event of the death of a single participant after becoming vested, a lump sum benefit shall be payable to the participant's beneficiary.

In the event of the death of a married vested former employee before age 65 with the spouse surviving, a monthly survivorship benefit shall be payable to the participant's surviving spouse.

If the employment of a participant is terminated after completing at least 5 years of participation, the participant is entitled to a deferred vested benefit. The deferred benefit, to commence at age 65, is computed in the same manner as in normal retirement using compensation and credited service to the date of termination. The participant shall be vested in his accrued benefit. A participant may elect to receive a return of employee contributions accumulated with interest at a rate of 7.5% per annum in lieu of a deferred vested benefit.

Contributions - The Pension Plan was amended on July 1, 1988 to make it noncontributory whereby the employer contributes the entire amount necessary to fund the Pension Plan. Contribution rates are recommended by the pension committee based on the annual actuarial valuation report, and must also be approved by City Council. The contribution rate for the fiscal year ended June 30, 2021, the actuarial valuation date, was 18.16%. The contribution rate for the fiscal year ended June 30, 2022 was 18.73%.

Net Pension Liabilities (Assets), Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liability - At June 30, 2022, the Fund reported an asset of \$188,329 for its proportionate share of the City's net pension liability. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The actuarial report is divided into two parts, one representing the Murfreesboro Water Resources Department of which the Fund is part and all other City employees. The Fund's proportion of the net pension liability was based on the Fund's contributions to the Pension Plan relative to the contributions of the Murfreesboro Water Resources Department. At the measurement date of June 30, 2021, the Fund's proportion relative to the Murfreesboro Water Resources Department was 5.21 percent. The proportion measured as of June 30, 2020 was 5.14 percent.

Pension Expense - For the year ended June 30, 2022, the Fund recognized pension expense of \$43,596.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2022, the Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,141	\$ 120,913
Differences due to assumption changes	12,455	
Net difference between projected and actual earnings on pension plan investments		136,552
Contributions subsequent to the measurement date of June 30, 2020	48,607	
Total	<u>\$ 65,203</u>	<u>\$ 257,465</u>

MURFREESBORO STORMWATER FUND

Notes to Financial Statements (continued)

June 30, 2022

Note D - PENSION PLAN (continued)

The Fund's employer contributions of \$48,607, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2023	\$ (66,169)
2024	(62,167)
2025	(60,001)
2026	(52,532)
Thereafter	-

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

Actuarial Assumptions - The total pension liability as of the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Inflation	2.25%
Salary Increases	4.00%
Investment Rate of Return	7.00%
Cost-of-Living Adjustment	None
Mortality	RP 2014 Combined Mortality Table with the current generational mortality improvement Scale MP as of the valuation date (MP-2020)

The City selected the assumptions and funding methods described above based on the review of plan experience in conjunction with the July 1, 2018 actuarial valuation report. The actuary annually reviews the assumptions and methods for reasonableness.

Investment Rate of Return - The investment rate of return is 7.00% per annum, compounded annually. The long-term expected rate of return of 7.00% on pension plan investments was determined using a mix of forward-looking capital market assumptions and historical return.

Best estimates of forward-looking rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
US Small/MidCap Equity	7.04%	12%
US Large Cap Equity	6.65%	18%
International Equity	7.14%	6%
Emerging Markets Equity	7.81%	6%
Private Equity	9.65%	0%
Cash Equivalent	1.90%	1%
Core US Bonds	3.23%	30%
High Yield Bonds	4.98%	4%
Natural Resources	3.96%	6%
Global Real Estate	6.21%	17%
Private Real Estate	6.21%	0%
		<u>100%</u>

MURFREESBORO STORMWATER FUND

Notes to Financial Statements (continued)

June 30, 2022

Note D - PENSION PLAN (continued)

Discount Rate - the discount rate used is 7.00% per annum, compounded annually.

Paragraph 29 of Statement No. 68 *Accounting and Financial Reporting for Pensions* provides for an alternative method to be used other than the projection of the pension plan's fiduciary net position based on projected contributions, benefit payments and investment earnings. The current contribution policy requires contributions of the normal cost plus a closed amortization of the unfunded liabilities (not to exceed 30 years from when the unfunded liability was created). Based on these assumptions and the actuarial methodology adopted, the Fund's fiduciary net position is expected to remain positive and to be available to make projected future benefit payments of current active and inactive members and to cover administrative expenses. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the Fund's proportionate share of the net pension liability (asset) of the City's Pension Plan calculated using the discount rate of 7.00 percent, as well as what the Fund's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(6.00%)</u>	<u>Discount Rate</u>	<u>(8.00%)</u>
		<u>(7.00%)</u>	
Murfreesboro Stormwater Fund's proportionate share of the net pension liability (asset)	\$ (17,170)	\$ (188,329)	\$ (334,454)

Pension Plan Fiduciary Net Position - Detailed information about the Pension Plan's fiduciary net position is available in the separately issued City's report.

Payable to the Pension Plan

The Fund reported no outstanding contributions to the Pension Plan required at the year ended June 30, 2022.

Note E - DEFINED CONTRIBUTION PLAN

Effective July 1, 2010, a defined contribution plan has been implemented by the City in accordance with the Murfreesboro City Code, which is administered by ICMA-RC. Plan provisions (including contribution requirements) may be established or amended by the pension committee.

The defined contribution plan covers all full-time employees hired on or after July 1, 2010. The provisions of this plan require a 3% mandatory employee contribution. The Stormwater Fund will match 100% of the employee contributions up to 8%. Employees are immediately vested in the employee contributions plus actual earnings thereon. Employees become 100% invested in the match contribution after 5 years of full-time employment. Employer contributions for the year ended June 30, 2022 were \$3,310. During the fiscal year ended June 30, 2022, employees made \$3,711 in contributions to the plan. For the year ended June 30, 2022, forfeited balances of terminated participant's nonvested accounts were used to reduce the Department's contributions in the amount of \$9,687.

Note F - INTERFUND TRANSACTIONS

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) the payments between funds are made.

	<u>Due From</u>	<u>Due To</u>
Murfreesboro Stormwater Fund -		
General fund		\$ 398,783
Murfreesboro Water Resources Department		392,248
Total	\$ <u> -</u>	\$ <u>791,031</u>

MURFREESBORO STORMWATER FUND

Notes to Financial Statements (continued)

June 30, 2022

Note G - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description – Each year, as part of the annual budgeting process, the City Council decides whether to provide eligible retiree and dependent medical coverage for the upcoming fiscal year. It adopts a resolution describing the benefit it intends to provide. Whether the benefit is offered, and the value and terms of the benefit, are subject to change at any time as the benefit has never been adopted by ordinance, including the ordinance establishing the Employees’ Revised Pension Trust Agreement, or by contract with any employee group so as to create any vested right to it. The City may alter, amend or discontinue this benefit at any time.

The Fund’s employees are eligible to retire at age 65 with a minimum of five (5) years of participation in the medical plan, or at 55 with thirty (30) years of pension eligible service, or at age 62 with twenty (20) years of pension eligible service, or at age 55 with twenty-five (25) years of pension eligible service with actuarially reduced retirement benefits. If an employee has met one of these standards and retired, and has 15 years of continuous service with the City with 5 years of continuous coverage in a City health insurance plan, the retired employee is currently eligible to continue such health insurance coverage for life.

The OPEB Plan does not have assets set aside in a trust to fund benefits as the plan is funded on a pay-as-you-go basis.

Total OPEB Liability and OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

OPEB Liability - The OPEB Plan’s total OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2022. At June 30, 2022, the Fund reported liability of \$1,783,169 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of June 30, 2022. The actuarial report is divided into two parts, one representing the Water Resources Department of which the Stormwater Fund is part and all other city employees. The Fund’s proportion of the total OPEB liability was based on the number of active employees of the Fund currently receiving health insurance benefits relative to the number of active employees of the Murfreesboro Water Resources Department currently receiving health insurance benefits. At the measurement date of June 30, 2022, the Fund’s proportion relative to the Murfreesboro Stormwater Fund was 2.58 percent. The proportion measured as of June 30, 2020 was 4.82 percent.

OPEB Expense - For the year ended June 30, 2022, the Fund recognized OPEB expense of \$79,323.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2022, the Fund reported deferred outflows of resources and deferred inflows of resources related to the OPEB Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 173,579	
Differences due to assumption changes		\$ 577,238
Total	<u>\$ 173,579</u>	<u>\$ 577,238</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2023	\$ (52,658)
2024	(52,658)
2025	(52,658)
2026	(52,658)
2027	(52,658)
Thereafter	(140,369)

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

MURFREESBORO STORMWATER FUND

Notes to Financial Statements (continued)

June 30, 2022

Note G - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Assumptions - The total OPEB liability as of the June 30, 2022, measurement date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Discount rate	4.09%
Salary increases	4.00%
Healthcare cost trend rate	
Medical	6.00% graded down to 5.50% over 2 years. Thereafter, trend is assumed to follow the Getzen model
Administrative fees	5.00% increase per annum
Stop loss	10.00% increase per annum
Retirees share of benefit related cost	20%
Future participation rates	95% of future eligible employees are assumed to elect medical coverage upon retirement and 95% are assumed to elect coverage for a spouse upon retirement

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2022.

Mortality rates for the plan were based on the Mortality Table RP-2014 with improvement scale MP2021.

The actuarial assumptions used for the June 30, 2022 fiscal year end were based on plan data and costs presented by the City of Murfreesboro with concurrence by the actuary.

Additionally, during the performance of the June 30, 2022 actuarial valuation it was discovered that pharmacy costs provided for retirees under the plan had not been included in the prior valuations. This error was recorded as a prior period adjustment in the financial statements and has been disclosed in Note K.

Sensitivity of the Proportionate Share of total OPEB Liability to changes in the Discount Rate - The following represents the Department's proportionate share of the total OPEB liability (asset) of the City's total OPEB Plan calculated using the discount rate of 4.09 percent, as well as what the Department's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.09 percent) or 1-percentage-point higher (5.09 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(3.09%)</u>	<u>Discount Rate</u>	<u>(5.09%)</u>
		<u>(4.09%)</u>	
Murfreesboro Stormwater Fund's proportionate share of the total OPEB liability	\$ 2,135,335	\$ 1,783,169	\$ 1,506,460

Sensitivity of the Proportionate Share of Total OPEB Liability to changes in the healthcare cost trend rate - The following presents the Department's proportionate share of the total OPEB liability of the City's total OPEB Plan calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.0% decreasing to 4.5%) or a rate of 1-percentage-point higher (7.0% decreasing to 6.5%), than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>5.0% decreasing</u>	<u>6.0% decreasing</u>	<u>7.0% decreasing</u>
	<u>to 4.5%</u>	<u>to 5.5%</u>	<u>to 6.5%</u>
Murfreesboro Stormwater Fund's proportionate share of the total OPEB liability	\$ 1,473,605	\$ 1,783,169	\$ 2,191,873

MURFREESBORO STORMWATER FUND

Notes to Financial Statements (continued)

June 30, 2022

Note G - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Changes in assumptions - In 2022, the following assumptions were changed: the discount rate increased to 4.09% based on the S&P Municipal Bond 20 year high grade rate index as of June 30, 2022; the mortality improvement assumption was updated from improvement scale MP2019 to improvement scale MP2021; medical health care cost trend was updated to follow the Getzen model after a two year transition period starting at 6.00% and grading to 5.50%; Murfreesboro Electric Department retirees were added to the plan at the beginning of the fiscal year 2022.

Payable to the OPEB Plan

The Fund reported no outstanding contributions to the OPEB Plan required at the year ended June 30, 2022.

Note H - LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended June 30, 2022, was as follows:

	Balance			Balance	Due Within
	June 30, 2021	Increases	Decreases	June 30, 2022	One Year
Compensated absences	\$ 43,179	\$ 25,948	\$ 25,810	\$ 43,317	\$ 4,010
Total OPEB liability	1,097,026	710,060	23,917	1,783,169	
	<u>\$ 1,140,205</u>	<u>\$ 736,008</u>	<u>\$ 49,727</u>	<u>\$ 1,826,486</u>	<u>\$ 4,010</u>

Note I - RISK MANAGEMENT

The Fund is subject to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Fund participates in the City of Murfreesboro Risk Management Fund in which workers compensation, general liability, property and automobile claims were self-insured through June 30, 2019. As of July 1, 2019, commercial insurance coverage was purchased with various deductibles to mitigate the City's risk of loss. The Fund pays an annual premium to the risk management fund. The risk of loss is transferred to the risk management fund.

Note J - COMMITMENTS

The Fund has commitments for participation with others in stormwater construction projects at June 30, 2022 in the amount of \$914,528.

Note K - PRIOR PERIOD ADJUSTMENT

A prior period adjustment to the financial statements was required to restate the beginning OPEB liability for the Fund's participation in the City's OPEB plan due to pharmacy costs not being included in the previous actuarial valuations in error. The effect on net position is as follows:

Restatement of OPEB Liability	\$ <u>946,352</u>
Prior period adjustment - decrease in beginning net position	\$ <u>946,352</u>

REQUIRED SUPPLEMENTARY INFORMATION

MURFREESBORO STORMWATER FUND

Required Supplementary Information

**Schedule of Murfreesboro Stormwater Fund's
Proportionate Share of the Net Pension Liability
Participation in the City of Murfreesboro Employees' Pension Plan
Last 10 Fiscal Years ending June 30 (1)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Murfreesboro Stormwater Fund's proportion of the net pension liability	0.70%	0.90%	0.67%	0.33%	0.35%	0.36%	-1.46%
Murfreesboro Stormwater Fund's proportionate share of the net pension liability (asset)	\$ 94,540	\$ 228,152	\$ 136,568	\$ 97,277	\$ 125,097	\$ 157,687	\$ (188,329)
Murfreesboro Stormwater Fund's covered payroll	\$ 282,767	\$ 297,122	\$ 296,452	\$ 284,220	\$ 338,003	\$ 252,117	\$ 259,517
Murfreesboro Stormwater Fund's proportionate share of the net pension liability as a percentage of its covered payroll	33.43%	76.79%	46.07%	34.23%	37.01%	62.55%	-72.57%
Plan fiduciary net position as a percentage of the total pension liability	89.96%	82.25%	86.40%	82.60%	80.34%	76.24%	93.26%

(1) *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.*

MURFREESBORO STORMWATER FUND

Required Supplementary Information

Schedule of Murfreesboro Stormwater Fund's Pension Contributions

City of Murfreesboro Employees' Pension Plan

Last 10 Fiscal Years ending June 30 (1)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially determined contribution (ADC)	\$ 34,441	\$ 33,694	\$ 34,714	\$ 34,845	\$ 41,439	\$ 47,697	\$ 45,784	\$ 48,607
Contributions in relation to the actuarially determined contribution	34,441	36,328	36,522	35,030	43,501	47,797	45,694	48,607
Contribution deficiency (excess)	\$ -	\$ (2,634)	\$ (1,808)	\$ (185)	\$ (2,062)	\$ (100)	\$ 90	\$ -
Covered payroll	\$ 282,767	\$ 297,122	\$ 296,452	\$ 284,220	\$ 338,003	\$ 292,084	\$ 252,117	\$ 259,517
Contributions as a percentage of covered payroll	12.18%	12.23%	12.32%	12.32%	12.87%	16.33%	18.16%	18.73%

Notes to Schedule -

Valuation date: Actuarially determined contribution rates for 2022 were calculated based on the July 1, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates are:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed, not to exceed 40 years
Remaining amortization period	20 years
Asset valuation method	Five year smoothing method
Inflation	2.25%
Salary increases	4.00%
Investment rate of return	7.00%
Retirement age	Based on plan experience
Mortality	RP 2014 Combined Mortality Table with the current generational mortality improvement under Mortality Improvement Scale MP as of the valuation date (MP-2020)
Cost of living adjustments	None

(1) *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.*

MURFREESBORO STORMWATER FUND

Required Supplementary Information

**Schedule of Murfreesboro Stormwater Fund's
Proportionate Share of the Collective Total OPEB Liability
Participation in the City of Murfreesboro Employees' OPEB Plan
Last 10 Fiscal Years ending June 30 (1)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Murfreesboro Stormwater Fund's proportion of the collective total OPEB liability	0.79%	0.79%	0.71%	0.70%	0.53%
Murfreesboro Stormwater Fund's proportionate share of the collective total OPEB liability	\$ 1,020,846	\$ 1,089,828	\$ 1,037,862	\$ 1,097,026	\$ 1,783,169
Murfreesboro Stormwater Fund's covered payroll	\$ 331,657	\$ 344,923	\$ 316,515	\$ 325,621	\$ 220,487
Murfreesboro Stormwater Fund's proportionate share of the total OPEB liability as a percentage of its covered-employee payroll	307.80%	315.96%	327.90%	336.90%	808.74%

Notes to Schedule

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

Changes in assumptions during the measurement period included: the discount rate increased to 4.09% based on the S&P Municipal Bond 20 year high grade rate index as of June 30, 2022; the mortality improvement assumption was updated from improvement scale MP2019 to improvement scale MP2021; medical health care cost trend was updated to follow the Getzen model after a two year transition period starting at 6.00% and grading to 5.50%; Murfreesboro Electric Department retirees were added to the plan at the beginning of the fiscal year 2022.

There were no benefit changes during the measurement period that affected the Murfreesboro Stormwater fund.

(1) *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.*

ORGANIZATIONAL DATA

MURFREESBORO STORMWATER FUND

Schedule of Customers and Rate Structure

Year Ended June 30, 2022

As of June 30, 2022, Murfreesboro Stormwater Fund serves approximately 43,479 customers.

Residential homeowners pay a fee of \$3.25 per month and owners of non-single family residential properties will pay a fee based on the amount of impervious surfaces on the property (e.g., pavement, concrete, rooftop, sidewalk), at \$3.25 per SFU (3,470-square-feet) per month.

**INTERNAL CONTROL
AND COMPLIANCE SECTION**



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Murfreesboro Stormwater Fund
Murfreesboro, 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 Murfreesboro Stormwater Fund as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Murfreesboro Stormwater Fund's basic financial statements, and have issued our report thereon dated January 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Murfreesboro Stormwater Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Murfreesboro Stormwater Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Murfreesboro Stormwater Fund'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "Jobe, Hastings + Associates". The signature is written in a cursive, flowing style.

Certified Public Accountants

Murfreesboro, Tennessee
January 27, 2023

MURFREESBORO STORMWATER FUND

Schedule of Audit Findings and Responses

June 30, 2022

A - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the Murfreesboro Stormwater Fund, City of Murfreesboro, Tennessee.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the *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*.
3. No instances of noncompliance material to the financial statements of the Murfreesboro Stormwater Fund, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

B - FINDINGS - FINANCIAL STATEMENT AUDIT

CURRENT YEAR FINDINGS

None

MURFREESBORO STORMWATER FUND

Schedule of Prior Year Audit Findings and Responses

June 30, 2022

A - SUMMARY OF AUDITOR'S RESULTS

No prior year findings.