

Financial Statements

TOWN OF ENGLEWOOD, TENNESSEE

Year Ended June 30, 2017

TABLE OF CONTENTS

	<u>Page Nos.</u>
INDEPENDENT ACCOUNTANTS' AUDIT REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-10
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	11-12
Statement of Activities	13-16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds	19-20
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - General Fund	22-28
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - Drug Fund	29
Statement of Net Position - Proprietary Funds	30-31
Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds	32-33
Statement of Cash Flows - Proprietary Funds	34-35
Notes to the Financial Statements	36-52

TABLE OF CONTENTS
(continued)

Page Nos.

SUPPLEMENTARY INFORMATION

Investments	53
Property Taxes Receivable	54-55
Long-Term Debt Requirements	56-60
Utility Rates and Metered Customers	61
Water Utility Reporting Worksheet	62
Water Utility Performance Indicators	63
Principal Officials	64
Expenditures of Federal Awards and State Financial Assistance	65-66

INTERNAL CONTROL AND COMPLIANCE

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	67-68
Prior Year Findings and Questioned Costs	69

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Mayor and Board of Commissioners
Town of Englewood, Tennessee
Englewood, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Town of Englewood, Tennessee as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Englewood, Tennessee's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Town of Englewood, Tennessee as of June 30, 2017, and the respective changes in its financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the drug fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 10 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 management's discussion and analysis 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Town of Englewood, Tennessee's basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The schedules of utility rates and metered customers, water utility reporting worksheet, water utility performance indicators and principal officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2018 on our consideration of Town of Englewood, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Town of Englewood, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Englewood, Tennessee's internal control over financial reporting and compliance.

Mitchell Emert & Hill

February 28, 2018

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Management's Discussion and Analysis For the Year Ended June 30, 2017

The management of Town of Englewood, Tennessee (the Town) presents this management's discussion and analysis (MD&A) of the Town's financial condition and results of operations for the fiscal year ended June 30, 2017. This information should be read in conjunction with the accompanying financial statements.

This MD&A also presents an overview of the Town, including the water and sewer and natural gas funds, known as the primary government. The government-wide financial statements include only the primary government, which is the total reporting entity.

Financial Highlights

The following are key financial highlights:

- The Town's net position at June 30, 2017 was \$6,169,213 (\$5,796,957 in 2016).
- The Town's net position increased by \$372,255 (\$132,673 in 2016) or 6 percent during the year ended June 30, 2017 (2 percent during 2016).
- At June 30, 2017 the Town's governmental funds reported combined ending fund balances of \$775,534, an increase of \$17,842 for the year ended June 30, 2017. At June 30, 2016 the Town's governmental funds reported combined ending fund balances of \$757,692, an increase of \$107,449 for the year ended June 30, 2016. As of June 30, 2017 \$715,947 (\$690,577 in 2016) of governmental fund balances is unassigned and available for ongoing operations.
- At June 30, 2017 the unassigned general fund balance was \$715,947 (\$690,577 in 2016) or 69 percent (74 percent in 2016) of general fund expenditures. These unassigned fund balances demonstrate the Town's fiscal discipline and will help meet unexpected emergencies and other uncertainties the Town may face during the course of everyday operations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, including budget comparisons, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

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

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from 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 Town include the following:

- General government
- Public safety
- Public welfare
- Streets and highways
- Solid waste collection and disposal

The business-type activities of the Town include water and sewer services provided by the water and sewer fund and natural gas services provided by the natural gas fund.

The government-wide financial statements can be found on pages 11 to 16 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 Town, 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 Town 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 the 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 Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures and changes in fund balances for the general fund and the drug fund, both of which are considered to be major funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for both major funds and are presented on pages 22 to 29.

Proprietary Funds - Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The Town maintains one type of proprietary fund - enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town has two enterprise funds to account for water distribution and sewer collection and natural gas distribution.

The Town's enterprise funds, the water and sewer fund and the natural gas fund, are major funds and are reported separately in the government-wide and fund financial statements. The proprietary fund financial statements are presented on pages 30 to 35 in the basic financial statements.

Notes to the Financial Statements - The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Internal Control and Compliance Section - This includes the auditors' report on the Town's internal controls and compliance.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2017 the Town's net position was \$6,169,213 (\$5,796,957 in 2016).

By far, the largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, water and sewer facilities, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services; consequently, these assets are *not* available for future spending.

Although the investment in 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 long-term debt.

At June 30 the Town's statement of net position consisted of the following:

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets	\$ 2,272,396	\$ 2,095,490
Capital assets, net of accumulated depreciation	<u>5,563,370</u>	<u>4,947,498</u>
	<u>\$ 7,835,766</u>	<u>\$ 7,042,988</u>
LIABILITIES		
Current liabilities	\$ 296,472	\$ 275,073
Noncurrent liabilities	<u>1,147,982</u>	<u>749,959</u>
	<u>1,444,454</u>	<u>1,025,032</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	222,099	220,998
NET POSITION		
Net investment in capital assets	4,341,475	4,152,026
Restricted	42,545	45,095
Unrestricted	<u>1,785,193</u>	<u>1,599,836</u>
	<u>6,169,213</u>	<u>5,796,957</u>
	<u>\$ 7,835,766</u>	<u>\$ 7,042,988</u>

A portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position may be used to meet the obligations to employees and creditors and to help fund next year's budget.

Following is a summary of financial activities for the Town during the fiscal year:

	<u>2017</u>	<u>2016</u>
REVENUE		
Program Revenue:		
Fees, fines and charges for services	\$ 1,517,398	\$ 1,538,398
Operating grants and contributions	122,979	64,885
Capital grants and contributions	232,500	0
General Revenue:		
Local taxes	374,787	369,830
Intergovernmental	156,946	162,970
Interest income	1,921	2,794
Miscellaneous	<u>8,717</u>	<u>14,016</u>
	<u>2,415,248</u>	<u>2,152,893</u>

	<u>2017</u>	<u>2016</u>
EXPENSES		
General government	248,371	259,171
Public safety	437,085	411,586
Public welfare	113,300	90,219
Streets and highways	97,319	141,507
Solid waste collection and disposal	78,577	83,044
Interest on long-term debt	3,099	4,006
Natural gas	136,853	198,184
Water and sewer	<u>928,389</u>	<u>832,503</u>
	<u>2,042,993</u>	<u>2,020,220</u>
Increase in net position	372,255	132,673
Net position at the beginning of the year	<u>5,796,957</u>	<u>5,664,283</u>
Net position at the end of the year	<u><u>\$ 6,169,213</u></u>	<u><u>\$ 5,796,957</u></u>

Governmental Activities - For the year ended June 30, 2017, governmental activities increased the Town's net position by \$91,355 (\$82,032 in 2016).

The Town's main sources of revenue are from property tax, local option sales tax and local and state-shared taxes which consist of tax revenue shared by the State of Tennessee.

Business-Type Activities - For the year ended June 30, 2017, business-type activities increased the Town's net position by \$280,900 (\$50,641 in 2016). For the year ended June 30, 2017, the water and sewer fund reported net income of \$278,548 and the natural gas fund reported net income of \$2,352.

Capital Assets

The Town's investment in capital assets as of June 30, 2017 was \$5,563,370 (\$4,947,498 in 2016) net of accumulated depreciation.

	<u>2017</u>	<u>2016</u>
Land and land improvements	\$ 364,981	\$ 224,731
Construction in process	0	69,200
Buildings	512,774	512,774
Utility plant	8,330,395	7,517,124
Office equipment	15,261	15,261
Equipment	542,884	542,884
Vehicles	428,156	428,156
Accumulated depreciation	<u>(4,631,081)</u>	<u>(4,362,632)</u>
	<u><u>\$ 5,563,370</u></u>	<u><u>\$ 4,947,498</u></u>

The major capital asset additions during the year ended June 30, 2017 were as follows:

Land improvements	\$ 140,250
Utility plant	<u>813,271</u>
	<u>\$ 953,521</u>

Additional information on capital assets can be found in Note F to the financial statements.

Debt Administration

At June 30, 2017 the Town's proprietary funds had outstanding debt of \$1,154,842 (\$713,941 in 2016) consisting of the following:

	<u>2017</u>	<u>2016</u>
Revenue bonds	\$ 432,629	\$ 444,359
Capital outlay notes	71,971	80,080
State Revolving Fund loans	<u>650,242</u>	<u>189,502</u>
Total debt-principal	1,154,842	713,941
Less: current portion due	<u>(58,467)</u>	<u>(31,035)</u>
Total long-term debt-principal	<u>\$ 1,096,375</u>	<u>\$ 682,906</u>

During the year ended June 30, 2017, the Town retired \$39,899 (\$133,652 in 2016) of its proprietary funds debt.

At June 30, 2017 the Town's governmental funds had outstanding debt of \$67,052 (\$81,530 in 2016) consisting of the following:

	<u>2017</u>	<u>2016</u>
Capital outlay notes	\$ 67,052	\$ 81,530
Less: current portion due	<u>(15,445)</u>	<u>(14,477)</u>
Total long-term debt-principal	<u>\$ 51,607</u>	<u>\$ 67,053</u>

During the year ended June 30, 2017, the Town retired \$14,478 (\$13,571 in 2016) of its governmental funds debt.

Additional information on debt can be found in Note G to the financial statements.

Financial Analysis of the Town's Funds

As previously discussed, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Town's governmental fund financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town'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. The general fund's fund balance increased by \$20,392 during the year ended June 30, 2017 (\$103,759 in 2016).

Proprietary Funds - The Town's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position for the water and sewer fund was \$782,008 for the year ended June 30, 2017 (\$630,641 in 2016). The unrestricted net position for the natural gas fund was \$191,361 for the year ended June 30, 2017 (\$184,408 in 2016).

Budgetary Highlights

During the year ended June 30, 2017, final amended budgeted revenue and expenditures of the drug fund increased approximately \$9,000 from original budgeted revenue and expenditures.

During the year ended June 30, 2017, final amended budgeted revenue of the general fund increased approximately \$80,425 from original budgeted revenue and final amended budgeted expenditures increased approximately \$223,150 from original budgeted expenditures.

Economic Factors and Next Year's Budgets and Rates

The Mayor and Board of Commissioners approved the budget for the year ending June 30, 2018. The estimated revenue and appropriations did not vary significantly from the budget for the year ended June 30, 2017. Property tax rates for the 2018 tax year are the same as the prior year.

Requests for Information

This MD&A and the accompanying financial statements and notes are designed to provide our citizens, employees, creditors and regulatory agencies with an overview of the Town's finances. If you have any questions or need additional information, you may contact:

Brittany Freeman, Town Manager
Town of Englewood, Tennessee
111 S. Niota Road
Englewood, TN 37329
Telephone (423) 887-7224

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash	\$ 682,638	\$ 933,479	\$ 1,616,117
Certificates of deposit	51,834	83,350	135,184
Accounts receivable, net of allowance for uncollectible accounts	574	129,345	129,919
Property taxes receivable, net of allowance for uncollectible accounts	279,784	0	279,784
Due from other governments	34,726	0	34,726
Taxes receivable	14,493	0	14,493
Internal balances	10,722	(10,722)	0
Natural gas for resale	0	45,131	45,131
Prepaid expenses	17,042	0	17,042
Capital assets not being depreciated	107,080	39,629	146,709
Capital assets being depreciated, net of accumulated depreciation	679,041	4,737,620	5,416,661
	<u>\$ 1,877,934</u>	<u>\$ 5,957,832</u>	<u>\$ 7,835,766</u>

See the accompanying notes to the financial statements.

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Accounts payable	\$ 11,457	\$ 27,908	\$ 39,365
Accrued vacation	3,628	6,025	9,653
Current portion of long-term debt	15,445	58,467	73,912
Customer deposits	260	173,282	173,542
Long-term debt, net of current portion	<u>51,607</u>	<u>1,096,375</u>	<u>1,147,982</u>
	82,397	1,362,057	1,444,454
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	222,099	0	222,099
NET POSITION			
Net investment in capital assets	719,069	3,622,406	4,341,475
Restricted:			
Drug enforcement	42,545	0	42,545
Unrestricted	<u>811,824</u>	<u>973,369</u>	<u>1,785,193</u>
	<u>1,573,438</u>	<u>4,595,775</u>	<u>6,169,213</u>
	<u>\$ 1,877,934</u>	<u>\$ 5,957,832</u>	<u>\$ 7,835,766</u>

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

		Program Revenue		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 248,371	\$ 612	\$ 0	\$ 0
Public safety	437,085	332,326	150	0
Public welfare	113,300	15,739	79,600	0
Streets and highways	97,319	0	43,229	0
Solid waste collection and disposal	78,577	56,156	0	0
Interest on long-term debt	3,099	0	0	0
Total governmental activities	977,751	404,833	122,979	0
Business-Type Activities:				
Water and sewer	928,389	973,507	0	232,500
Natural gas	136,853	139,058	0	0
Total business-type activities	1,065,242	1,112,565	0	232,500
	<u>\$ 2,042,993</u>	<u>\$ 1,517,398</u>	<u>\$ 122,979</u>	<u>\$ 232,500</u>

See the accompanying notes to the financial statements.

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (247,759)	\$ 0	\$ (247,759)
(104,609)	0	(104,609)
(17,961)	0	(17,961)
(54,090)	0	(54,090)
(22,421)	0	(22,421)
(3,099)	0	(3,099)
(449,939)	0	(449,939)
0	277,618	277,618
0	2,205	2,205
0	279,823	279,823
<u>\$ (449,939)</u>	<u>\$ 279,823</u>	<u>\$ (170,116)</u>

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2017

NET (EXPENSE)REVENUE FROM PROGRAM ACTIVITIES

General Revenue:

Taxes:

Property tax

Interest and penalty

In-Lieu of tax payments

Local sales tax

Business tax

Wholesale beer tax

Cable TV franchise tax

Intergovernmental

Interest income

Miscellaneous

Total general revenue

CHANGES IN NET POSITION

NET POSITION AT THE BEGINNING OF THE YEAR

NET POSITION AT THE END OF THE YEAR

Net (Expense)Revenue and Changes In Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (449,939)	\$ 279,823	\$ (170,116)
227,457	0	227,457
2,652	0	2,652
16,247	0	16,247
79,919	0	79,919
7,742	0	7,742
25,099	0	25,099
15,671	0	15,671
156,946	0	156,946
844	1,077	1,921
8,717	0	8,717
541,294	1,077	542,371
91,355	280,900	372,255
1,482,082	4,314,875	5,796,957
<u>\$ 1,573,438</u>	<u>\$ 4,595,775</u>	<u>\$ 6,169,213</u>

TOWN OF ENGLEWOOD, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2017

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 640,036	\$ 42,603	\$ 682,639
Certificates of deposit	51,834	0	51,834
Property taxes receivable, net of allowance for uncollectible accounts of \$5,000	279,784	0	279,784
Taxes receivable	14,493	0	14,493
Accounts receivable	574	0	574
Due from other funds	10,780	0	10,780
Due from other governments	34,726	0	34,726
Prepaid expenses	17,042	0	17,042
	<u>\$ 1,049,269</u>	<u>\$ 42,603</u>	<u>\$ 1,091,872</u>
LIABILITIES			
Accounts payable	\$ 11,457	\$ 0	\$ 11,457
Due to other funds	0	58	58
Customer deposits	260	0	260
Accrued vacation	3,628	0	3,628
	<u>15,345</u>	<u>58</u>	<u>15,403</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	279,784	0	279,784
Deferred state shared and local taxes	21,151	0	21,151
	<u>300,935</u>	<u>0</u>	<u>300,935</u>
FUND BALANCES			
Nonspendable	17,042	0	17,042
Restricted	0	42,545	42,545
Unassigned	715,947	0	715,947
	<u>732,989</u>	<u>42,545</u>	<u>775,534</u>
	<u>\$ 1,049,269</u>	<u>\$ 42,603</u>	<u>\$ 1,091,872</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2017

Total Fund Balance - Governmental Funds	\$ 775,534
Capital assets used in governmental activities are reported in the statement of net position; however, they are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	786,121
Some of the Town's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures; therefore, they are reported as deferred revenue in the governmental funds balance sheet.	78,836
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	<u>(67,052)</u>
Net Position of Governmental Activities	<u>\$ 1,573,438</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

Year Ended June 30, 2017

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
REVENUE			
Taxes:			
Property tax	\$ 219,237	\$ 0	\$ 219,237
Interest and penalty	2,652	0	2,652
In-Lieu of tax payments	16,247	0	16,247
Local sales tax	80,384	0	80,384
Business tax	7,392	0	7,392
Wholesale beer tax	25,099	0	25,099
Cable TV franchise tax	15,671	0	15,671
Intergovernmental	269,159	0	269,159
Fines and forfeitures	325,051	3,971	329,022
Licenses and permits	600	0	600
Charges for services	71,908	0	71,908
Interest	796	48	844
Donations	12,225	0	12,225
Police auction	3,304	0	3,304
Miscellaneous	<u>8,717</u>	<u>0</u>	<u>8,717</u>
TOTAL REVENUE	1,058,442	4,019	1,062,461
EXPENDITURES			
Current:			
General government	229,666	0	229,666
Public safety	394,865	13,069	407,934
Public welfare	102,372	0	102,372
Streets and highways	91,452	0	91,452
Solid waste management	62,868	0	62,868
Capital outlay	132,750	0	132,750
Debt service	<u>17,577</u>	<u>0</u>	<u>17,577</u>
TOTAL EXPENDITURES	<u>1,031,550</u>	<u>13,069</u>	<u>1,044,619</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

(continued)

Year Ended June 30, 2017

	General Fund	Drug Fund	Totals
EXCESS(DEFICIENCY) OF REVENUE OVER EXPENDITURES	26,892	(9,050)	17,842
OTHER FINANCING SOURCES(USES)			
Transfer from(to) other funds	(6,500)	6,500	0
EXCESS(DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	20,392	(2,550)	17,842
FUND BALANCES AT THE BEGINNING OF THE YEAR	712,597	45,095	757,692
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 732,989</u>	<u>\$ 42,545</u>	<u>\$ 775,534</u>

TOWN OF ENGLEWOOD, TENNESSEE

**RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2017

Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing (Uses) - Governmental Funds	\$ 17,842
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Acquisition of capital assets	132,750
Depreciation expense	(80,359)
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental fund financial statements:	
Deferred tax revenue - June 30, 2016	(72,191)
Deferred tax revenue - June 30, 2017	78,836
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	<u>14,478</u>
Change in Net Position of Governmental Activities	<u>\$ 91,355</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

Year Ended June 30, 2017

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Taxes:				
Property tax	\$ 203,500	\$ 216,400	\$ 219,237	\$ 2,837
Interest and penalty	1,500	1,500	2,652	1,152
In-Lieu of tax payments	10,000	10,000	16,247	6,247
Local sales tax	76,000	76,000	80,384	4,384
Business tax	3,000	3,000	7,392	4,392
Wholesale beer tax	28,000	28,000	25,099	(2,901)
Cable TV franchise tax	14,000	14,000	15,671	1,671
	<u>336,000</u>	<u>348,900</u>	<u>366,682</u>	<u>17,782</u>
Intergovernmental:				
State income tax	6,400	6,400	4,521	(1,879)
State beer tax	500	500	740	240
State sales tax	105,000	105,000	127,250	22,250
State gasoline and motor fuel tax	39,000	39,000	42,800	3,800
Corporate excise tax	3,400	3,400	3,475	75
Telecommunications tax	150	150	128	(22)
T.V.A. In-Lieu of tax payment	24,000	24,000	19,624	(4,376)
City streets and transportation funds	3,000	3,000	3,096	96
Highway safety grant	5,000	5,000	0	(5,000)
Local parks and recreation grant	0	67,525	67,525	0
	<u>186,450</u>	<u>253,975</u>	<u>269,159</u>	<u>15,184</u>
Fines and forfeitures	293,000	293,000	325,051	32,051
Licenses and permits	742	742	600	(142)

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**

GENERAL FUND

(continued)

Year Ended June 30, 2017

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Charges for services:				
Community pool admittance fees	3,500	3,500	9,962	6,462
Community pool rental fees	2,000	2,000	2,150	150
Community pool concessions	1,000	1,000	1,614	614
Solid waste collection fees	61,000	61,000	56,156	(4,844)
Accident report charges	100	100	12	(88)
Library charges	100	100	624	524
Parks and recreation charges	900	900	1,390	490
	<u>68,600</u>	<u>68,600</u>	<u>71,908</u>	<u>3,308</u>
Other revenue:				
Interest	700	700	796	96
Donations	12,074	12,074	12,225	151
Police auction	1,500	1,500	3,304	1,804
Miscellaneous revenue	1,325	1,325	8,717	7,392
	<u>15,599</u>	<u>15,599</u>	<u>25,042</u>	<u>9,443</u>
TOTAL REVENUE	900,391	980,816	1,058,442	77,626

EXPENDITURES

Financial administration:				
Salaries and wages	49,920	49,920	47,363	(2,557)
OASDI employer's share	3,600	3,600	3,557	(43)
Retirement	0	0	238	238
Health insurance	6,120	6,120	1,605	(4,515)
Death benefit plan	300	300	0	(300)
Unemployment insurance	350	350	252	(98)
Travel	100	100	605	505
Gas, oil and grease	500	500	435	(65)
Office supplies and materials	1,250	1,250	3,628	2,378
	<u>62,140</u>	<u>62,140</u>	<u>57,683</u>	<u>(4,457)</u>

TOWN OF ENGLEWOOD, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2017

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Judicial:				
Other professional services	4,800	4,800	2,400	(2,400)
General government:				
Salaries and wages	39,425	39,425	39,337	(88)
OASDI employer's share	3,500	3,500	3,308	(192)
Health insurance	6,120	6,120	6,048	(72)
Death benefit plan	300	300	0	(300)
Unemployment insurance	500	500	163	(337)
Employee training	1,500	1,500	1,039	(461)
Postage	750	750	376	(374)
Publicity, subscriptions and dues	3,000	4,500	3,147	(1,353)
Accounting and auditing services	7,210	7,210	7,210	0
State planning services	7,500	7,500	7,500	0
Other professional services	28,000	29,000	28,999	(1)
Insurance	47,000	50,200	55,153	4,953
Utilities	3,650	4,150	3,684	(466)
Telephone	4,000	4,000	4,906	906
Repairs and maintenance	2,500	4,500	2,881	(1,619)
Operating supplies	2,500	2,500	2,332	(168)
Weather alert system	500	500	0	(500)
Travel	500	500	500	0
	<u>158,455</u>	<u>166,655</u>	<u>166,583</u>	<u>(72)</u>
Police department:				
Salaries and wages	195,500	230,500	224,044	(6,456)
OASDI employer's share	15,800	15,800	17,438	1,638
Health insurance	30,600	30,600	34,489	3,889
Death benefit plan	500	500	0	(500)
Unemployment insurance	1,500	1,500	531	(969)

TOWN OF ENGLEWOOD, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**

GENERAL FUND

(continued)

Year Ended June 30, 2017

	Budget		Actual	Variance Over (Under)
	Original	Final		
Police department (continued):				
Employee education and training	2,000	2,000	703	(1,297)
Utilities	1,800	1,800	1,834	34
Telephone	1,200	3,200	2,995	(205)
Professional services	33,550	33,550	33,296	(254)
Computer equipment	0	9,000	8,345	(655)
Small items of equipment	13,800	13,800	8,467	(5,333)
Supplies	1,200	1,200	2,025	825
Travel	500	500	480	(20)
Vehicle rental	15,414	15,414	12,245	(3,169)
Operating supplies	1,300	1,300	618	(682)
Clothing and uniforms	1,500	1,500	1,084	(416)
Gas, oil and grease	20,000	20,000	15,280	(4,720)
	336,164	382,164	363,874	(18,290)
Fire department:				
Employee training	2,000	2,000	1,422	(578)
Volunteers	500	500	250	(250)
Utilities	9,500	9,500	6,586	(2,914)
Telephone	750	750	929	179
Dues	250	250	100	(150)
Gas, oil and grease	2,500	2,500	2,317	(183)
Repairs and maintenance	11,500	11,500	10,220	(1,280)
Operating supplies	7,550	7,550	5,316	(2,234)
Insurance	1,500	1,500	1,494	(6)
Small items of equipment	4,500	4,500	2,357	(2,143)
	40,550	40,550	30,991	(9,559)
City attorney:				
Professional services	4,000	4,000	3,000	(1,000)

TOWN OF ENGLEWOOD, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2017

	Budget		Actual	Variance Over (Under)
	Original	Final		
Highways and streets:				
Salaries and wages	31,097	31,097	30,720	(377)
OASDI employer's share	2,000	2,000	2,483	483
Retirement	0	0	90	90
Health insurance	6,120	6,120	5,292	(828)
Death benefit plan	205	205	0	(205)
Unemployment insurance	200	200	136	(64)
Repairs and maintenance	3,500	3,500	6,347	2,847
Machinery equipment and parts	1,000	5,000	5,004	4
Gas, oil and grease	1,000	1,000	1,158	158
Utilities	30,000	30,000	32,032	2,032
Roads, streets and parking	57,900	57,900	8,190	(49,710)
	133,022	137,022	91,452	(45,570)
Community swimming pool:				
Salaries and wages	11,000	17,000	14,792	(2,208)
OASDI employer's share	1,000	1,000	1,132	132
Unemployment insurance	200	200	252	52
Memberships and registration fees	150	150	1,130	980
Utilities	8,476	8,476	6,557	(1,919)
Telephone	200	200	223	23
Professional services	0	0	3,035	3,035
Repairs and maintenance	2,500	4,500	3,482	(1,018)
Operating supplies	250	250	655	405
Chemical supplies	2,000	2,000	3,106	1,106
Supplies for resale	500	2,000	1,569	(431)
	26,276	35,776	35,932	156
Parks and recreation:				
Salaries and wages	20,000	24,200	24,339	139
OASDI employer's share	1,500	1,500	1,854	354

TOWN OF ENGLEWOOD, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2017

	Budget		Actual	Variance Over (Under)
	Original	Final		
Parks and recreation (continued):				
Health insurance	0	1,500	1,883	383
Unemployment insurance	200	200	390	190
Utilities	750	1,750	1,561	(189)
Repairs and maintenance	3,000	3,000	2,640	(360)
Operating supplies	0	2,000	840	(1,160)
	<u>25,450</u>	<u>34,150</u>	<u>33,507</u>	<u>(643)</u>
Library:				
Salaries and wages	15,024	15,024	14,599	(425)
OASDI employer's share	1,200	1,200	1,117	(83)
Unemployment insurance	218	218	198	(20)
Books, catalogues and brochures	550	550	510	(40)
Utilities	6,350	6,350	5,241	(1,109)
Telephone	1,600	1,600	1,418	(182)
Accounting and auditing services	155	155	155	0
Other professional services	450	450	50	(400)
Repairs and maintenance	750	5,750	5,263	(487)
Operating supplies	500	500	457	(43)
Computer equipment	1,500	3,000	2,800	(200)
Insurance	1,000	1,000	1,125	125
	<u>29,297</u>	<u>35,797</u>	<u>32,933</u>	<u>(2,864)</u>
Solid waste management:				
Salaries and wages	0	0	454	454
OASDI employer's share	0	0	35	35
Unemployment insurance	0	0	8	8
Office supplies	2,500	2,500	2,720	220
Other contractual services	58,380	58,380	58,296	(84)
Insurance	1,500	1,500	1,355	(145)
	<u>62,380</u>	<u>62,380</u>	<u>62,868</u>	<u>488</u>

TOWN OF ENGLEWOOD, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2017

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Capital outlay:				
Public welfare	0	135,250	132,750	(2,500)
Debt service:				
Note principal	11,003	14,890	14,478	(412)
Interest expense	2,083	3,196	3,099	(97)
	<u>13,086</u>	<u>18,086</u>	<u>17,577</u>	<u>(509)</u>
TOTAL EXPENDITURES	<u>895,620</u>	<u>1,118,770</u>	<u>1,031,550</u>	<u>(87,220)</u>
EXCESS(DEFICIENCY) OF REVENUE OVER EXPENDITURES	4,771	(137,954)	26,892	164,846
OTHER FINANCING (USES)				
Transfer to other funds	<u>0</u>	<u>0</u>	<u>(6,500)</u>	<u>(6,500)</u>
EXCESS(DEFICIENCY) OF REVENUE OVER EXPENDITURES AND OTHER FINANCING (USES)	4,771	(137,954)	20,392	158,346
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>137,954</u>	<u>712,597</u>	<u>574,643</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 4,771</u>	<u>\$ 0</u>	<u>\$ 732,989</u>	<u>\$ 732,989</u>

TOWN OF ENGLEWOOD, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
DRUG FUND**

Year Ended June 30, 2017

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Drug related fines	\$ 6,331	\$ 8,831	\$ 3,971	\$ (4,860)
Interest	<u>75</u>	<u>75</u>	<u>48</u>	<u>(27)</u>
TOTAL REVENUE	<u>6,406</u>	<u>8,906</u>	<u>4,019</u>	<u>(4,887)</u>
EXPENDITURES				
Salaries and wages	2,906	11,906	11,477	(429)
OASDI employer's share	235	235	840	605
Unemployment insurance	29	29	30	1
Operating supplies	1,536	1,536	321	(1,215)
Repairs and maintenance	<u>1,700</u>	<u>1,700</u>	<u>401</u>	<u>(1,299)</u>
TOTAL EXPENDITURES	<u>6,406</u>	<u>15,406</u>	<u>13,069</u>	<u>(2,337)</u>
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	0	(6,500)	(9,050)	(2,550)
OTHER FINANCING SOURCES				
Transfer from other funds	<u>0</u>	<u>6,500</u>	<u>6,500</u>	<u>0</u>
(DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES	0	0	(2,550)	(2,550)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>45,095</u>	<u>45,095</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 42,545</u>	<u>\$ 42,545</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2017

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
CURRENT ASSETS			
Cash	\$ 756,698	\$ 176,781	\$ 933,479
Certificates of deposit	83,350	0	83,350
Accounts receivable, net of allowance for uncollectible accounts of \$5,000	129,345	0	129,345
Due from other funds	0	2,714	2,714
Natural gas for resale	<u>0</u>	<u>45,131</u>	<u>45,131</u>
	969,393	224,626	1,194,019
CAPITAL ASSETS			
Land	39,372	257	39,629
Buildings	97,401	0	97,401
Utility plant	8,076,660	253,735	8,330,395
Equipment	75,580	15,000	90,580
Vehicles	<u>9,867</u>	<u>40,131</u>	<u>49,998</u>
	8,298,880	309,123	8,608,003
Accumulated depreciation	<u>(3,574,675)</u>	<u>(256,079)</u>	<u>(3,830,754)</u>
	<u>4,724,205</u>	<u>53,044</u>	<u>4,777,249</u>
	<u>\$ 5,693,598</u>	<u>\$ 277,670</u>	<u>\$ 5,971,268</u>

See the accompanying notes to the financial statements.

	Water and Sewer Fund	Natural Gas Fund	Totals
CURRENT LIABILITIES			
Accounts payable	\$ 26,693	\$ 1,216	\$ 27,909
Accrued vacation	5,664	360	6,024
Customer deposits	142,992	30,290	173,282
Due to other funds	12,036	1,400	13,436
Current portion of long-term debt	<u>57,275</u>	<u>1,192</u>	<u>58,467</u>
	244,660	34,458	279,118
LONG-TERM DEBT, net of current portion	1,087,339	9,036	1,096,375
NET POSITION			
Net investment in capital assets	3,579,591	42,815	3,622,406
Unrestricted	<u>782,008</u>	<u>191,361</u>	<u>973,369</u>
	<u>4,361,599</u>	<u>234,176</u>	<u>4,595,775</u>
	<u>\$ 5,693,598</u>	<u>\$ 277,670</u>	<u>\$ 5,971,268</u>

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

Year Ended June 30, 2017

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
OPERATING REVENUE			
Sales	\$ 959,186	\$ 139,051	\$ 1,098,237
Other operating revenue	<u>14,321</u>	<u>7</u>	<u>14,328</u>
TOTAL OPERATING REVENUE	973,507	139,058	1,112,565
OPERATING EXPENSES			
Purchased water/gas	203,616	43,095	246,711
Purification	175,349	0	175,349
Transmission and distribution	127,575	57,069	184,644
Sewer collection lines	16,032	0	16,032
Sewer treatment and disposal	107,405	0	107,405
Customer accounting and collection	46,427	13,130	59,557
Administrative and general expense	46,438	17,013	63,451
Depreciation	<u>182,332</u>	<u>5,758</u>	<u>188,090</u>
TOTAL OPERATING EXPENSES	<u>905,174</u>	<u>136,065</u>	<u>1,041,239</u>
INCOME FROM OPERATIONS	68,333	2,993	71,326
NONOPERATING REVENUE(EXPENSE)			
Interest income	930	147	1,077
Interest expense	<u>(23,215)</u>	<u>(788)</u>	<u>(24,003)</u>
	<u>(22,285)</u>	<u>(641)</u>	<u>(22,926)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	46,048	2,352	48,400
Capital contributions	<u>232,500</u>	<u>0</u>	<u>232,500</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2017

	Water and Sewer Fund	Natural Gas Fund	Totals
CHANGES IN NET POSITION	278,548	2,352	280,900
NET POSITION AT THE BEGINNING OF THE YEAR	<u>4,083,051</u>	<u>231,823</u>	<u>4,314,875</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 4,361,599</u>	<u>\$ 234,176</u>	<u>\$ 4,595,775</u>

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended June 30, 2017

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
CASH PROVIDED(USED) BY OPERATING ACTIVITIES			
Cash received from customers	\$ 996,200	\$ 139,058	\$ 1,135,258
Cash paid to employees	(197,191)	(25,194)	(222,385)
Cash paid to suppliers	<u>(555,554)</u>	<u>(121,737)</u>	<u>(677,291)</u>
NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES	243,455	(7,873)	235,582
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(751,571)	0	(751,571)
Capital contributions	232,500	0	232,500
Proceeds from issuance of long-term debt	480,800	0	480,800
Principal payments on long-term debt	(38,741)	(1,158)	(39,899)
Interest paid on debt	<u>(23,215)</u>	<u>(788)</u>	<u>(24,003)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(100,227)	(1,946)	(102,173)
CASH PROVIDED BY INVESTING ACTIVITIES			
Interest received	<u>930</u>	<u>147</u>	<u>1,077</u>
NET INCREASE(DECREASE) IN CASH	144,158	(9,672)	134,486
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>695,890</u>	<u>186,453</u>	<u>882,343</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>\$ 840,048</u></u>	<u><u>\$ 176,781</u></u>	<u><u>\$ 1,016,829</u></u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2017

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Income from operations	\$ 68,333	\$ 2,993	\$ 71,326
Adjustments to reconcile income from operations to net cash provided(used) by operating activities:			
Depreciation	182,332	5,758	188,090
(Increase)decrease in:			
Accounts receivable	(22,693)	0	(22,693)
Inventory	0	(13,922)	(13,922)
Due from other funds	6,870	(2,714)	4,156
Increase(decrease) in:			
Accounts payable	(2,006)	484	(1,522)
Accrued vacation	(7,292)	(253)	(7,545)
Due to other funds	12,036	(119)	11,917
Customer deposits	5,875	(100)	5,775
	<u>175,122</u>	<u>(10,866)</u>	<u>164,256</u>
NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES	<u>\$ 243,455</u>	<u>\$ (7,873)</u>	<u>\$ 235,582</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE A - DESCRIPTION OF ORGANIZATION

Town of Englewood, Tennessee (the Town) was originally incorporated on January 1, 1919, under the provisions of Chapter 30, Private Acts of 1919, as amended, by the State of Tennessee. The Town operates under a mayor-board of commissioners form of government and provides the following services as authorized by its charter: public safety (police and fire), public works, water, sewer and gas utilities, public library, culture and recreation, and general administrative services.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town, for financial reporting purposes, includes all funds relevant to the operations of Town of Englewood, Tennessee. The financial statements presented herein do not include agencies that have been formed under applicable state laws, or separate and distinct units of government apart from the Town. As of June 30, 2017 and for the year then ended, the Town had no discretely presented component units which were required to be included in these financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements, which consist of the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the Town. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 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 revenue are reported instead as general revenue. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenue to be available if it is collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

All trade receivables are shown net of an allowance for uncollectible accounts. Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. In Tennessee, this date is January 1, and is referred to as the lien date. Revenue from property taxes, however, is recognized in the period for which the taxes are levied, which for the Town is October 1 of the ensuing fiscal year. Such taxes become delinquent on March 1. Property tax revenue is recognized when levied to the extent that they result in current receivables; that is if they are received within 60 days of the end of the fiscal year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes, is reported as deferred revenue in the fund financial statements and unearned revenue in the government-wide financial statements as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied and uncollected during the current fiscal year as well as the previous four fiscal years. These property taxes receivable are presented on the general fund balance sheet with offsetting deferred revenue to reflect the amounts not available as of June 30. Property taxes collected within 60 days of year end are considered available and are accrued as revenue. Property taxes collected later than 60 days after year end are not considered available and are accrued and reported as deferred revenue. An allowance for uncollectible taxes is also recorded representing the estimated amount of delinquent taxes receivable that will be filed with the McMinn County Clerk and Master for collection.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *drug fund* is used to account for costs associated with drug investigation and control and officers' training.

The Town reports the following major proprietary funds:

The *water and sewer fund* accounts for the activities of the water and sewer departments, which operate and maintain a water distribution and sewer collection system for residents and businesses on a user charge basis.

The *natural gas fund* accounts for the activities of the natural gas department, which operates and maintains a natural gas distribution system for residents and businesses on a user charge basis.

All activities necessary to provide these services are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

The Town had no internal service funds or fiduciary funds as of or for the year ended June 30, 2017.

Proprietary fund financial statements include a statement of net position, a statement of revenue, expenses and changes in net position and a statement of cash flows for each major proprietary fund. Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the statement of net position. The statement of revenue, expenses and changes in net position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the Town's proprietary funds is charges to customers for sales and services. The Town also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting reporting purposes into the following three net position groups:

Net Investment in Capital Assets

This category includes capital assets, net of accumulated depreciation and outstanding principal balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Net investment in capital assets at June 30, 2017 has been calculated as follows:

Governmental Activities:

Capital assets	\$ 1,586,447
Accumulated depreciation	(800,327)
Principal balance on long-term debt	<u>(67,052)</u>
	<u>\$ 719,069</u>

Business-Type Activities:

Water and Sewer Fund:

Capital assets	\$ 8,298,880
Accumulated depreciation	(3,574,675)
Principal balance on long-term debt	<u>(1,144,614)</u>
	<u>\$ 3,579,591</u>

Natural Gas Fund:

Capital assets	\$ 309,123
Accumulated depreciation	(256,079)
Principal balance on long-term debt	<u>(10,228)</u>
	<u>\$ 42,815</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

Restricted

This category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the Town pursuant to those stipulations or that expire by the passage of time. Net position of the drug fund is classified as restricted net position because its use is limited to police drug enforcement. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Unrestricted

This category includes net position that is not subject to externally imposed stipulations and that does not meet the definition of "restricted" or "net investment in capital assets". Unrestricted net position may be designated for specific purposes by action of the Mayor and Board of Commissioners or may otherwise be limited by contractual agreements with outside parties.

Fund Balances

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes standards for fund balance classifications for state and local governments and requires that resources be classified for accounting reporting purposes into the following fund balances:

Nonspendable Fund Balances

Fund balances reported as nonspendable in the accompanying financial statements represent amounts for prepaid expenses or inventory.

Restricted Fund Balances

Fund balances reported as restricted in the accompanying financial statements represent amounts restricted to specific purposes by externally imposed restrictions or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balances

Fund balances reported as committed in the accompanying financial statements represent amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Mayor and Board of Commissioners commit resources for specific purposes by passing ordinances.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

Assigned Fund Balances

Fund balances reported as assigned in the accompanying financial statements represent amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by the Mayor and Board of Commissioners.

Unassigned Fund Balance

In accordance with generally accepted accounting principles, the general fund is the only fund of the Town that reports amounts for unassigned fund balance. This classification represents fund balance that is not nonspendable and has not been committed to specific purposes within the general fund.

The Town would typically use restricted resources first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Budgets and Budgetary Accounting

The Mayor and Board of Commissioners are required to adopt, by ordinance, total budget appropriations by line item for all funds. The Town's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP). All budget amendments must be approved by the Mayor and Board of Commissioners. Unused appropriations lapse at the end of the year.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$1,000 or more. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 50 years.

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

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

Materials and Supplies

Materials and supplies of the proprietary funds are valued at the lower of cost (determined on a first-in, first-out basis) or market. The cost of inventory items of the governmental fund types (primarily materials and supplies) are recorded as expenditures when purchased.

Compensated Absences

The Town's policy permits employees to accumulate earned but unused vacation benefits and sick day benefits. In the event of termination, the employee is paid for any unused vacation days.

Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts receivable and taxes receivable is provided based upon historical trends. The allowances for uncollectible accounts at June 30, 2017 were as follows:

Governmental funds	\$	5,000
Proprietary funds		5,000

NOTE C - CASH AND INVESTMENTS

Investments that have maturities of three months or less at the date of purchase are classified as cash equivalents. Cash represents money on deposit in various banks. Cash and investments are stated at cost, which approximates market value. Carrying amounts at June 30, 2017 were as follows:

	Governmental Activities	Business-Type Activities	Totals
Cash on hand	\$ 200	\$ 0	\$ 200
Bank deposits (checking and savings accounts)	682,438	933,479	1,615,917
Certificates of deposit	51,834	83,350	135,184
Totals	<u>\$ 734,472</u>	<u>\$ 1,016,829</u>	<u>\$ 1,751,301</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

State of Tennessee law authorizes the Town to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All cash balances at June 30, 2017 were entirely insured through either the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

NOTE D - RISK MANAGEMENT

The Town is exposed 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 Town participates in the Tennessee Municipal League Risk Management Pool (the Pool) and pays an annual premium to the Pool for its workers' compensation, general liability insurance, destruction of property and employee dishonesty bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The pooling agreement allows the Pool to make additional assessments or refund surplus revenue to the Town. It is not possible to estimate the amount of such additional assessments or refunds.

NOTE E - INTERFUND TRANSFERS

Transfers to provide operating funds during the year ended June 30, 2017 were as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General fund	Drug fund	\$ 6,500

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

NOTE F - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>7/1/16</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/17</u>
Governmental Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 107,080	\$ 0	\$ 0	\$ 107,080
Construction in process	7,500	132,750	(140,250)	0
<u>Capital assets being depreciated</u>				
Buildings	415,373	0	0	415,373
Land improvements	78,022	140,250	0	218,272
Vehicles	378,158	0	0	378,158
Office equipment	9,778	0	0	9,778
Equipment	<u>457,787</u>	<u>0</u>	<u>0</u>	<u>457,787</u>
	1,339,118	140,250	0	1,479,368
<u>Accumulated depreciation</u>				
Buildings	(145,651)	(12,626)	0	(158,277)
Land improvements	(34,801)	(6,503)	0	(41,304)
Vehicles	(197,475)	(37,696)	0	(235,172)
Office equipment	(7,238)	(758)	0	(7,996)
Equipment	<u>(334,803)</u>	<u>(22,776)</u>	<u>0</u>	<u>(357,579)</u>
	<u>(719,968)</u>	<u>(80,359)</u>	<u>0</u>	<u>(800,327)</u>
	<u>\$ 733,730</u>	<u>\$ 192,641</u>	<u>\$ (140,250)</u>	<u>\$ 786,121</u>

Depreciation expense is charged to the various governmental functions as follows:

General government	\$ 18,705
Public safety	29,150
Public welfare	10,928
Streets and highways	5,867
Solid waste collection and disposal	<u>15,709</u>
	<u>\$ 80,359</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

	<u>Balance</u> <u>7/1/16</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/17</u>
Business-Type Activities:				
Water and Sewer Fund				
<u>Capital assets not being depreciated</u>				
Land	\$ 39,372	\$ 0	\$ 0	\$ 39,372
Construction in process	<u>61,700</u>	<u>741,127</u>	<u>(802,827)</u>	<u>0</u>
	101,072	741,127	(802,827)	39,372
<u>Capital assets being depreciated</u>				
Buildings	97,401	0	0	97,401
Utility plant	7,263,389	813,271	0	8,076,660
Equipment	70,097	0	0	70,097
Office equipment	5,483	0	0	5,483
Vehicles	<u>9,867</u>	<u>0</u>	<u>0</u>	<u>9,867</u>
	7,446,237	813,271	0	8,259,508
<u>Accumulated depreciation</u>				
Buildings	(43,894)	(3,615)	0	(47,509)
Utility plant	(3,314,907)	(171,359)	0	(3,486,266)
Equipment	(22,460)	(6,647)	0	(29,106)
Office equipment	(2,994)	(378)	0	(3,372)
Vehicles	<u>(8,089)</u>	<u>(333)</u>	<u>0</u>	<u>(8,422)</u>
	<u>(3,392,343)</u>	<u>(182,332)</u>	<u>0</u>	<u>(3,574,675)</u>
	<u>\$ 4,154,966</u>	<u>\$ 1,372,066</u>	<u>\$ (802,827)</u>	<u>\$ 4,724,205</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

	<u>Balance</u> <u>7/1/16</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/17</u>
Natural Gas Fund				
<u>Capital assets not being depreciated</u>				
Land	\$ 257	\$ 0	\$ 0	\$ 257
<u>Capital assets being depreciated</u>				
Utility plant	253,735	0	0	253,735
Equipment	15,000	0	0	15,000
Vehicles	<u>40,131</u>	<u>0</u>	<u>0</u>	<u>40,131</u>
	308,866	0	0	308,866
<u>Accumulated depreciation</u>				
Utility plant	(215,204)	(3,997)	0	(219,202)
Equipment	(4,875)	(1,500)	0	(6,375)
Vehicles	<u>(30,242)</u>	<u>(260)</u>	<u>0</u>	<u>(30,503)</u>
	<u>(250,321)</u>	<u>(5,758)</u>	<u>0</u>	<u>(256,079)</u>
	<u>\$ 58,801</u>	<u>\$ (5,758)</u>	<u>\$ 0</u>	<u>\$ 53,044</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

NOTE G - LONG-TERM DEBT

Long-term debt at June 30, 2017 consisted of the following:

Governmental Activities:

General Obligation Capital Outlay Note, Series 2013 due in semi-annual installments of \$2,246, including interest at 2.89% through 2025	\$ 31,673
Capital lease due in monthly installments of \$545 including interest at 7.598% through 2019 with a bargain purchase option at the end of the lease	17,690
Capital lease due in monthly installments of \$545 including interest at 7.598% through 2019 with a bargain purchase option at the end of the lease	<u>17,690</u>
	67,052
Less current maturities	<u>(15,445)</u>
	<u>\$ 51,607</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

Business-Type Activities:

Water and Sewer Revenue Bonds, Series 2001 due in monthly installments of \$2,724, including interest at 4.75% through 2039	\$ 432,629
General Obligation Capital Outlay Note, Series 2013 for the water and sewer fund due in semi-annual installments of \$5,240, including interest at 2.89% through 2025	61,743
General Obligation Capital Outlay Note, Series 2013 for the natural gas fund due in semi-annual installments of \$5,240, including interest at 2.89% through 2025	10,228
2006 State Revolving Fund Loan, interest rate of 0.00% due in monthly installments of \$933 through 2027	116,606
2016 State Revolving Fund Loan, interest rate of 0.20%, maturity date determined when project is completed	<u>533,636</u>
	1,154,842
Less current maturities	<u>(58,467)</u>
	<u>\$ 1,096,375</u>

Maturities of long-term debt as of June 30, 2017 are as follows:

Governmental Activities:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 15,445	\$ 2,132	\$ 17,577
2019	27,189	1,116	28,305
2020	3,785	706	4,491
2021	3,895	596	4,491
2022	4,007	484	4,491

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

Governmental Activities (continued):

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	4,123	368	4,491
2024	4,242	249	4,491
2025	<u>4,365</u>	<u>126</u>	<u>4,491</u>
	<u>\$ 67,052</u>	<u>\$ 5,777</u>	<u>\$ 72,829</u>

Business-Type Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 58,467	\$ 24,001	\$ 82,468
2019	59,352	23,115	82,467
2020	60,287	22,180	82,467
2021	61,247	21,221	82,468
2022	62,258	20,209	82,467
2023	63,297	19,170	82,467
2024	64,393	18,075	82,468
2025	63,587	16,947	80,534
2026	56,227	15,761	71,988
2027	57,148	14,840	71,988
2028	51,572	13,866	65,438
2029	47,934	12,858	60,792
2030	48,999	11,793	60,792
2031	50,102	10,690	60,792
2032	51,268	9,524	60,792
2033	52,487	8,305	60,792
2034	53,751	7,041	60,792
2035	55,086	5,706	60,792
2036	56,471	4,321	60,792
2037	48,772	2,437	51,209

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

Business-Type Activities (continued):

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2038	31,742	946	32,688
2039	<u>395</u>	<u>10</u>	<u>405</u>
	<u>\$ 1,154,842</u>	<u>\$ 283,016</u>	<u>\$ 1,437,858</u>

Changes in long-term debt for the year ended June 30, 2017 were as follows:

	<u>Balance 7/1/16</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance 6/30/17</u>	<u>Amounts Due Within One Year</u>
Capital Outlay Note Series 2013	\$ 35,148	\$ 0	\$ (3,475)	\$ 31,673	\$ 3,576
Capital Lease	23,191	0	(5,501)	17,690	5,934
Capital Lease	<u>23,191</u>	<u>0</u>	<u>(5,501)</u>	<u>17,690</u>	<u>5,934</u>
	<u>\$ 81,530</u>	<u>\$ 0</u>	<u>\$ (14,478)</u>	<u>\$ 67,052</u>	<u>\$ 15,445</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

	<u>Balance</u> <u>7/1/16</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/17</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<u>Business-Type Activities:</u>					
Water and Sewer Revenue Bonds, Series 2001	\$ 444,359	\$ 0	\$ 11,730	\$ 432,629	\$ 12,299
2006 State Revolving Fund Loan	127,802	0	11,196	116,606	11,196
2016 State Revolving Fund Loan	61,700	480,800	8,864	533,636	26,628
Capital Outlay Note, Series 2013	68,694	0	6,951	61,743	7,152
Capital Outlay Note, Series 2013	<u>11,386</u>	<u>0</u>	<u>1,158</u>	<u>10,228</u>	<u>1,192</u>
	<u>\$ 713,941</u>	<u>\$ 480,800</u>	<u>\$ 39,899</u>	<u>\$ 1,154,842</u>	<u>\$ 58,467</u>

NOTE H - INTERFUND BALANCES

Amounts due from and due to other funds at June 30, 2017, resulting from short-term advances for shared costs, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Water and sewer fund	General fund	\$ 9,322
Natural gas fund	General fund	1,400
Drug fund	General fund	58
Water and sewer fund	Natural gas fund	<u>2,714</u>
		<u>\$ 13,494</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

NOTE I - RETIREMENT PLAN

The Town provides a SIMPLE IRA retirement savings plan for employees. All employees earning at least \$5,000 in any two preceding years and expected to earn at least \$5,000 in the current year are eligible to participate in the plan. There are different options available which detail how the Town can contribute to the plan. The first option allows the Town to contribute a dollar-for-dollar match of up to 3% for each eligible employee who is contributing to the plan. The second option allows the Town to make nonelective contributions equal to 2% of each eligible employee's compensation per year. Retirement expense for the year ended June 30, 2017 was \$1,550.

NOTE J - COMMITMENT

During the year ended June 30, 2013, the Town entered into a five year contract with the McMinn County Emergency Communications Board for dispatching services totaling \$157,188 through 2018. At June 30, 2017, \$32,695 of the commitment remained.

SUPPLEMENTARY INFORMATION

TOWN OF ENGLEWOOD, TENNESSEE

INVESTMENTS

June 30, 2017

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
<u>General Fund - Certificate of Deposit</u>			
Simmons Bank	0.35%	10/18/17	\$ 51,834
<u>Water and Sewer Fund - Certificate of Deposit</u>			
Simmons Bank	0.20%	10/18/17	<u>83,350</u>
			<u>\$ 135,184</u>

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2017

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2016</u>
2017	\$ 1.440	\$ 15,424,734	\$ 222,099	\$ 0
2016	1.440	15,348,432	220,998	220,998
2015	1.440	15,104,072	217,481	24,791
2014	1.440	14,839,556	213,674	15,312
2013	1.250	15,046,855	188,125	4,071
2012	1.162	15,496,461	179,069	5,595
2011	1.162	15,324,319	178,131	3,100
2010	1.162	15,038,514	174,739	1,195
2009	1.162	15,348,718	178,367	215
2008	1.440	12,222,148	177,491	185
2007	1.440	12,250,553	176,408	<u>0</u>
				<u>\$ 275,464</u>

Property taxes unpaid for 2007 through 2015 have been filed with the
McMinn County Clerk and Master

See the accompanying independent accountants' audit report.

<u>Taxes Levied</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Balance June 30, 2017</u>
\$ 222,099	\$ 0	\$ 0	\$ 222,099
0	6,458	200,692	26,765
0	0	10,282	14,509
0	0	3,924	11,388
0	0	(457)	4,529
0	0	3,306	2,289
0	0	1,005	2,095
0	0	485	710
0	0	0	215
0	0	0	185
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 222,099</u>	<u>\$ 6,458</u>	<u>\$ 219,237</u>	<u>\$ 284,784</u>

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
Capital Outlay Note, Series 2013			
Year Ending June 30,			
2018	\$ 3,576	\$ 915	\$ 4,491
2019	3,679	812	4,491
2020	3,785	706	4,491
2021	3,895	596	4,491
2022	4,007	484	4,491
2023	4,123	368	4,491
2024	4,242	249	4,491
2025	4,366	125	4,491
	<u>\$ 31,673</u>	<u>\$ 4,255</u>	<u>\$ 35,928</u>
Capital Lease			
Year Ending June 30,			
2018	\$ 5,935	\$ 608	\$ 6,543
2019	11,755	153	11,908
	<u>\$ 17,690</u>	<u>\$ 761</u>	<u>\$ 18,451</u>
Capital Lease			
Year Ending June 30,			
2018	\$ 5,934	\$ 608	\$ 6,542
2019	11,755	153	11,908
	<u>\$ 17,689</u>	<u>\$ 761</u>	<u>\$ 18,450</u>

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Business-Type Activities:</u>			
Water and Sewer Revenue Bonds, Series 2001			
Year Ending June 30,			
2018	\$ 12,299	\$ 20,389	\$ 32,688
2019	12,896	19,792	32,688
2020	13,522	19,166	32,688
2021	14,179	18,509	32,688
2022	14,867	17,821	32,688
2023	15,589	17,099	32,688
2024	16,346	16,342	32,688
2025	17,139	15,549	32,688
2026	17,971	14,717	32,688
2027	18,844	13,844	32,688
2028	19,758	12,930	32,688
2029	20,718	11,970	32,688
2030	21,723	10,965	32,688
2031	22,778	9,910	32,688
2032	23,884	8,804	32,688
2033	25,043	7,645	32,688
2034	26,259	6,429	32,688
2035	27,534	5,154	32,688
2036	28,871	3,817	32,688
2037	30,272	2,416	32,688
2038	31,742	946	32,688
2039	395	10	405
	<u>\$ 432,629</u>	<u>\$ 254,224</u>	<u>\$ 686,853</u>

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
SRF Loan, 2006			
Year Ending June 30,			
2018	\$ 11,196	\$ 0	\$ 11,196
2019	11,196	0	11,196
2020	11,196	0	11,196
2021	11,196	0	11,196
2022	11,196	0	11,196
2023	11,196	0	11,196
2024	11,196	0	11,196
2025	11,196	0	11,196
2026	11,196	0	11,196
2027	11,196	0	11,196
2028	4,646	0	4,646
	<u>\$ 116,606</u>	<u>\$ 0</u>	<u>\$ 116,606</u>

Capital Outlay Note, Series 2013

Year Ending June 30,			
2018	\$ 7,152	\$ 1,831	\$ 8,983
2019	7,358	1,624	8,982
2020	7,571	1,411	8,982
2021	7,790	1,193	8,983
2022	8,015	967	8,982
2023	8,246	736	8,982
2024	8,485	498	8,983
2025	7,126	252	7,378
	<u>\$ 61,743</u>	<u>\$ 8,512</u>	<u>\$ 70,255</u>

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Capital Outlay Note, Series 2013			
Year Ending June 30,			
2018	\$ 1,192	\$ 305	\$ 1,497
2019	1,226	271	1,497
2020	1,262	235	1,497
2021	1,298	199	1,497
2022	1,336	161	1,497
2023	1,374	123	1,497
2024	1,414	83	1,497
2025	1,126	42	1,168
	<u>\$ 10,228</u>	<u>\$ 1,419</u>	<u>\$ 11,647</u>

SRF Loan, 2016

Year Ending June 30,			
2018	\$ 26,628	\$ 1,476	\$ 28,104
2019	26,676	1,428	28,104
2020	26,736	1,368	28,104
2021	26,784	1,320	28,104
2022	26,844	1,260	28,104
2023	26,892	1,212	28,104
2024	26,952	1,152	28,104
2025	27,000	1,104	28,104
2026	27,060	1,044	28,104
2027	27,108	996	28,104
2028	27,168	936	28,104
2029	27,216	888	28,104
2030	27,276	828	28,104
2031	27,324	780	28,104
2032	27,384	720	28,104
2033	27,444	660	28,104
2034	27,492	612	28,104

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
SRF Loan, 2016 (continued)			
Year Ending June 30,			
2035	27,552	552	28,104
2036	27,600	504	28,104
2037	<u>18,500</u>	<u>21</u>	<u>18,521</u>
	<u>\$ 533,636</u>	<u>\$ 18,861</u>	<u>\$ 552,497</u>

TOWN OF ENGLEWOOD, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

June 30, 2017

<u>WATER</u>	<u>Inside</u> <u>Town</u>	<u>Outside</u> <u>Town</u>
Utility Rates		
Residential		
First 2,500 gallons (3/4" meter, minimum monthly bill)	\$ 12.94	\$ 24.70
First 2,500 gallons (1" meter, minimum monthly bill)	24.86	49.05
First 2,500 gallons (2" meter, minimum monthly bill)	41.29	78.83
First 2,500 gallons (4" meter, minimum monthly bill)	139.94	267.16
Over 2,500 gallons (per thousand)	6.02	11.50
Commercial		
First 2,500 gallons (3/4" meter, minimum monthly bill)	\$ 20.71	\$ 39.96
First 2,500 gallons (1" meter, minimum monthly bill)	39.97	77.13
First 2,500 gallons (2" meter, minimum monthly bill)	66.07	127.48
First 2,500 gallons (4" meter, minimum monthly bill)	224.09	432.37
Over 2,500 gallons (per thousand)	11.82	11.82

Water tap fee ranges from \$750.00 to \$900.00 (depending on size of tap)

SEWER

Sewer charges for all residential customers is 140% of monthly water bill.

	<u>Small</u> <u>Business</u>	<u>Large</u> <u>Business</u>
Commercial		
First 2,500 gallons	\$ 29.00	\$ 55.95
Over 2,500 gallons (per thousand)	16.55	31.92

Sewer tap fee is cost plus 10%

NATURAL GAS

Natural gas rates are based on a purchase gas adjustment mechanism which is computed each month based on the cost of gas.

METERED CUSTOMERS

	<u>Total</u>
Water	1,449
Sewer	685
Natural Gas	287

See the accompanying independent accountants' audit report.



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association
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Click to access definition
 Click to add a comment

Water Audit Report for: **Englewood Water (0000224)**

Reporting Year: **2017** **7/2016 - 6/2017**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

Volume from own sources: 46.352 MG/Yr
Water imported: 65.439 MG/Yr
Water exported: 0.000 MG/Yr

Master Meter and Supply Error Adjustments

Enter grading in column 'E' and 'J' -----
Pcnt: 1.00% 1.00% MG/Yr
Value: 1.00% 1.00% MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: **110.684** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: 56.898 MG/Yr
Billed unmetered: 0.045 MG/Yr
Unbilled metered: 27.545 MG/Yr
Unbilled unmetered: 1.384 MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: **85.872** MG/Yr

Click here: for help using option buttons below

Pcnt: 1.25% 0 MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: 0.25% 0 MG/Yr

5.25% 0.25% MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

24.813 MG/Yr

Apparent Losses

Unauthorized consumption: 0.277 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: 4.679 MG/Yr
Systematic data handling errors: 0.142 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: **5.098** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **19.715** MG/Yr

WATER LOSSES: **24.813** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **53.741** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 70.0 miles
Number of active AND inactive service connections: 1,482
Service connection density: 21 conn./mile main

Are customer meters typically located at the curbstop or property line? Yes (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: 65.0 psi

COST DATA

Total annual cost of operating water system: \$648,637 \$/Year
Customer retail unit cost (applied to Apparent Losses): \$14.98 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): \$1,775.27 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 84 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Customer metering inaccuracies

2: Billed metered

3: Unauthorized consumption

See the accompanying independent accountants' audit report.



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WASv5.0
American Water Works Association
Copyright © 2014. All Rights Reserved.

Water Audit Report for: **Englewood Water (0000224)**

Reporting Year: **2017** **7/2016 - 6/2017**

***** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 84 out of 100 *****

System Attributes:

Apparent Losses: **5.098** MG/Yr
+ Real Losses: **19.715** MG/Yr
= **Water Losses: 24.813** MG/Yr

? Unavoidable Annual Real Losses (UARL): **14.26** MG/Yr

Annual cost of Apparent Losses: **\$76,366**

Annual cost of Real Losses: **\$34,999** Valued at **Variable Production Cost**

[Return to Reporting Worksheet to change this assumption](#)

Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied: **48.6%**

Non-revenue water as percent by cost of operating system: **25.1%** Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: **9.42** gallons/connection/day

Real Losses per service connection per day: **N/A** gallons/connection/day

Real Losses per length of main per day*: **771.61** gallons/mile/day

Real Losses per service connection per day per psi pressure: **N/A** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **19.71** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **1.38**

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2017

James Cox, Mayor
Buford Hackler, Vice Mayor
Jason Hitt, Commissioner
Jimmy Jack, Commissioner
Shawn Martin, Commissioner
Robert Cass, Town Manager
Alison Bull, City Recorder, CMFO

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

**EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

Year Ended June 30, 2017

Federal or State Grantor/ Pass-Through Grantor	CFDA #	Contract Number	Expenditures
<u>Federal Awards</u>			
U.S. Environmental Protection Agency/ Tennessee Department of Environment and Conservation	66.468	Grant	\$ 232,500
U.S. Environmental Protection Agency/ Tennessee Department of Environment and Conservation	66.468	Loan	<u>306,045</u>
Total Federal Awards			538,545
<u>State Financial Assistance</u>			
Tennessee Department of Environment and Conservation	N/A	43265	67,525
U.S. Environmental Protection Agency/ Tennessee Department of Environment and Conservation	N/A	Loan	<u>174,755</u>
Total Federal Awards and State Financial Assistance			<u>\$ 780,825</u>

NOTE 1 - BASIS OF PRESENTATION

This schedule summarizes the expenditures of Town of Englewood, Tennessee under programs of the federal and state governments for the year ended June 30, 2017. The schedule is presented using the modified accrual basis of accounting.

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

(continued)

Year Ended June 30, 2017

NOTE 2 - INDIRECT COST RATE

Town of Englewood, Tennessee has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance, however, there were no indirect costs to be allocated during the year ended June 30, 2017.

NOTE 3 - OUTSTANDING LOAN BALANCES

Town of Englewood, Tennessee balances of federal loans outstanding at June 30, 2017 consisted of the following:

<u>CFDA #</u>	<u>Program Name</u>	<u>Balance at June 30, 2017</u>
66.458	Clean Water State Revolving Funds	\$ 350,065

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' 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*

Mayor and Board of Commissioners
Town of Englewood, Tennessee
Englewood, 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 of America, the financial statements of the governmental activities, the business-type activities and each major fund of Town of Englewood, Tennessee as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Englewood, Tennessee's basic financial statements, and have issued our report thereon dated February 28, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Town of Englewood, Tennessee'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Englewood, Tennessee'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*.

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 Town of Englewood, Tennessee's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Englewood, Tennessee's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The script is cursive and fluid, with the ampersand clearly visible between the two names.

February 28, 2018

TOWN OF ENGLEWOOD, TENNESSEE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2016-001	Financial Oversight	Corrected