



**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2015**

**JOHNSON, MURPHEY & WRIGHT, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
CHATTANOOGA, TENNESSEE

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**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Roster of Board Members and Management**  
**June 30, 2015**

Mayor ..... Dick Gee

Vice Mayor..... Bill Wallace

Councilmember .....Chris J. Howley

Councilmember ..... Bill Lusk

Councilmember ..... Robert Spalding

Town Judge .....Mark Rothberger

Town Manager ..... Boyd Veal

Town Attorney ..... Phillip A. Noblett

Town Recorder/Finance Director (CMFO)..... Carol Thompson-White

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## **II. FINANCIAL SECTION**

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## **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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Signal Mountain, Tennessee, as of June 30, 2015, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General 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, Schedule of Changes in Signal Mountain's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS and Schedule of Signal Mountain's Contributions Based on Participation in the Public Employee Pension Plan of TCRS listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Signal Mountain, Tennessee's basic financial statements. The Introductory Section, non-major governmental fund financial statements, and financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Mayor and Town Council  
Town of Signal Mountain, Tennessee  
Page Three

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015, on our consideration of the Town of Signal Mountain, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Signal Mountain, Tennessee's internal control over financial reporting and compliance.

*Johnson, Murphey & Wright, P.C.*

Chattanooga, Tennessee  
December 11, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Signal Mountain, Tennessee, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Signal Mountain, Tennessee for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the Town's financial statements.

### FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the Town of Signal Mountain, Tennessee exceeded its liabilities and deferred inflows at June 30, 2015, by \$20,356,660 (net position). Of this amount \$9,646,422 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors. The Town has restricted \$42,839 for the new high school, \$12,130 for drug enforcement programs, \$400,279 for state street aid expenditures and \$28,000 for Mountain Arts expenditures.

In addition to these restricted amounts, the Town has a committed fund balance of \$368,998 for the purchase of mobile assets and \$440,807 for building construction.

The Town's governmental activities operated at a surplus of \$2,232,339. The Town's business-type activities operated at a surplus of \$205,176.

As of the close of the current fiscal year, the Town of Signal Mountain, Tennessee's governmental funds reported combined ending fund balances of \$7,968,200.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,665,936, or 119.49%, of total General Fund expenditures, excluding transfers.

At the end of the current fiscal year, the Town's enterprise funds reported combined ending net position of \$7,160,365. Of that balance \$4,024,704, or 56.21%, is unrestricted. The remaining 43.79%, or \$3,135,661, is invested in capital assets.

The implementation of GASB 68 requires that net pension liabilities be recorded on the governmental activities financial statements. In this, the initial year of implementation, the Statement of Activities beginning net position was adjusted by \$1,191,331 to account for this change.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction of the Town of Signal Mountain, Tennessee's basic financial statements. The Town of Signal Mountain, Tennessee's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements, and (3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the Town of Signal Mountain, Tennessee's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Town of Signal Mountain, Tennessee's assets, deferred outflows, liabilities and deferred inflows, with the difference 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 of Signal Mountain, Tennessee is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Signal Mountain, Tennessee that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Signal Mountain, Tennessee include general government made up of judicial, financial administration and building inspection, public safety made up of the police and fire departments, public works made up of highways and streets and sanitation, public welfare and recreation made up of the library and community center and the maintenance shop which performs maintenance and repair work for all departments. The business-type activities of the Town of Signal Mountain, Tennessee include the Water Fund and the Stormwater Fund.

The government-wide financial statements can be found on pages 16 and 17 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 of Signal Mountain, Tennessee, 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 of Signal Mountain, Tennessee can be divided into two categories: governmental funds and proprietary funds.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

The Town of Signal Mountain, Tennessee maintains five individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and Capital Projects Fund which are considered to be major funds. Individual fund data for the non-major governmental funds is provided in the statements later in this report beginning on page 63.

The Town of Signal Mountain, Tennessee adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major governmental funds, which are the General Fund and Capital Projects Fund to demonstrate compliance with this budget, as well as for non-major funds. The budgetary comparison statement for the major General Fund can be found beginning on page 22 of this report. The budgetary comparison statements for the non-major funds can be found beginning on page 65 of this report.



The basic governmental fund financial statements can be found on pages 18 through 21 of this report.

### **Proprietary Funds**

The Town of Signal Mountain, Tennessee maintains one type of proprietary fund: enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Signal Mountain, Tennessee uses enterprise funds to account for its water and stormwater operations. The Town adopts an annual budget for its enterprise funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water Fund, which is considered to be a major fund, and the Stormwater Fund of the Town of Signal Mountain, Tennessee.

The basic proprietary fund financial statements can be found on pages 33 through 35 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 36 through 58 of this report.

### **Other Information**

The statements referred to earlier in connection with non-major governmental funds, are presented immediately following the Required Supplementary Information other than Management's Discussion and Analysis. Individual fund statements and schedules can be found on pages 63 through 67 of this report.

## **FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

### **Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Signal Mountain, Tennessee, assets and deferred outflows exceeded liabilities and deferred inflows by \$20,356,660 at the close of this fiscal year.

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

Approximately 2.37%, or \$483,248, of the Town of Signal Mountain, Tennessee's net position represents resources that are subject to external restrictions on how they may be used. 47.39%, or \$9,646,422, in net position are unrestricted and can be used to meet the government's ongoing obligations.

At June 30, 2015, the Town of Signal Mountain, Tennessee is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The table below provides a summary of the Town's net position broken down by governmental and business-type activities.

**Town of Signal Mountain, Tennessee's Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Capital assets	\$ 7,091,329	\$ 6,102,131	\$ 3,135,661	\$ 3,295,952	\$ 10,226,990	\$ 9,398,083
Other assets	<u>12,902,450</u>	<u>12,385,413</u>	<u>4,597,321</u>	<u>4,175,596</u>	<u>17,499,771</u>	<u>16,561,009</u>
Total assets	<u>\$ 19,993,779</u>	<u>\$ 18,487,544</u>	<u>\$ 7,732,982</u>	<u>\$ 7,471,548</u>	<u>\$ 27,726,761</u>	<u>\$ 25,959,092</u>
Deferred outflows of resources	\$ <u>239,903</u>	\$ <u>-</u>	\$ <u>28,817</u>	\$ <u>-</u>	\$ <u>268,720</u>	\$ <u>-</u>
Long-term liabilities	\$ 1,418,679	\$ 1,353,724	\$ 298,903	\$ 205,126	\$ 1,717,582	\$ 1,558,850
Other liabilities	<u>971,957</u>	<u>935,616</u>	<u>252,546</u>	<u>168,272</u>	<u>1,224,503</u>	<u>1,103,888</u>
Total liabilities	<u>\$ 2,390,636</u>	<u>\$ 2,289,340</u>	<u>\$ 551,449</u>	<u>\$ 373,398</u>	<u>\$ 2,942,085</u>	<u>\$ 2,662,738</u>
Deferred inflows of resources	\$ <u>4,646,751</u>	\$ <u>4,185,878</u>	\$ <u>49,985</u>	\$ <u>-</u>	\$ <u>4,696,736</u>	\$ <u>4,185,878</u>
Net investment in capital assets	\$ 7,091,329	\$ 5,725,414	\$ 3,135,661	\$ 3,295,952	\$ 10,226,990	\$ 9,021,366
Restricted	483,248	171,606	-	-	483,248	171,606
Unrestricted	<u>5,621,718</u>	<u>6,115,306</u>	<u>4,024,704</u>	<u>3,802,198</u>	<u>9,646,422</u>	<u>9,917,504</u>
Total net position	<u>\$ 13,196,295</u>	<u>\$ 12,012,326</u>	<u>\$ 7,160,365</u>	<u>\$ 7,098,150</u>	<u>\$ 20,356,660</u>	<u>\$ 19,110,476</u>

## Changes in Net Position

Governmental activities increased the Town of Signal Mountain, Tennessee's net position by \$2,232,339.

Business-type activities increased the Town of Signal Mountain, Tennessee's net position by \$205,176.

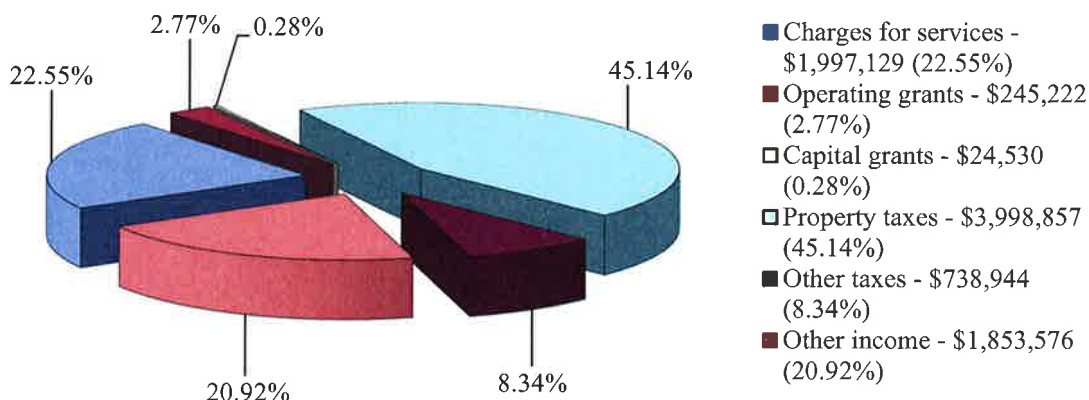
The table below provides a summary of the Town's net position broken down by governmental and business-type activities. The 2015 beginning net position was adjusted due to the implementation of GASB 68.

### Town of Signal Mountain, Tennessee's Changes in Net Position

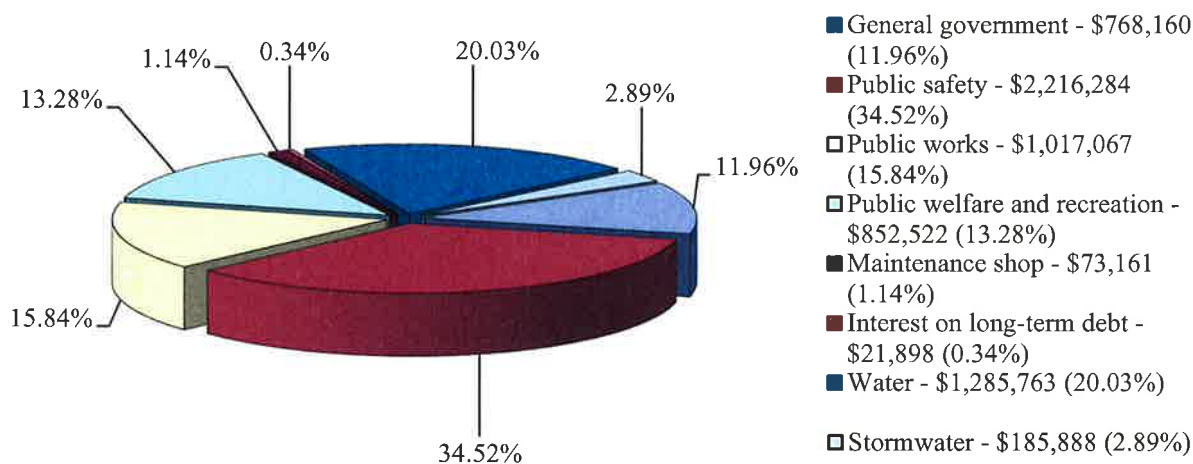
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 325,987	\$ 342,524	\$ 1,671,142	\$ 1,630,518	\$ 1,997,129	\$ 1,973,042
Operating grants and contributions	245,222	250,648	-	-	245,222	250,648
Capital grant and contributions	24,530	20,487	-	-	24,530	20,487
General revenues:						
Property taxes	3,998,857	4,003,691	-	-	3,998,857	4,003,691
Other taxes	738,944	760,507	-	-	738,944	760,507
Other income	<u>1,847,891</u>	<u>1,526,158</u>	<u>5,685</u>	<u>7,177</u>	<u>1,853,576</u>	<u>1,533,335</u>
Total revenues	<u>7,181,431</u>	<u>6,904,015</u>	<u>1,676,827</u>	<u>1,637,695</u>	<u>8,858,258</u>	<u>8,541,710</u>
Expenses:						
General government	768,160	680,824	-	-	768,160	680,824
Public safety	2,216,284	2,362,147	-	-	2,216,284	2,362,147
Public works	1,017,067	1,430,416	-	-	1,017,067	1,430,416
Public welfare and recreation	852,522	865,164	-	-	852,522	865,164
Maintenance shop	73,161	88,666	-	-	73,161	88,666
Interest on long-term debt	21,898	41,261	-	-	21,898	41,261
Water	-	-	1,285,763	1,322,828	1,285,763	1,322,828
Stormwater	-	-	<u>185,888</u>	<u>190,722</u>	<u>185,888</u>	<u>190,722</u>
Total expenses	<u>4,949,092</u>	<u>5,468,478</u>	<u>1,471,651</u>	<u>1,513,550</u>	<u>6,420,743</u>	<u>6,982,028</u>
Increase in net position	2,232,339	1,435,537	205,176	124,145	2,437,515	1,559,682
Net position - beginning	<u>10,963,956</u>	<u>10,576,789</u>	<u>6,955,189</u>	<u>6,974,005</u>	<u>17,919,145</u>	<u>17,550,794</u>
Net position - end	<u>\$ 13,196,295</u>	<u>\$ 12,012,326</u>	<u>\$ 7,160,365</u>	<u>\$ 7,098,150</u>	<u>\$ 20,356,660</u>	<u>\$ 19,110,476</u>

The graphs below summarize the \$8,858,258 of town-wide revenue by source and the associated \$6,420,743 of expense by program. The graphs combine data from both governmental and business-type activities.

### Town-Wide Sources of Revenue



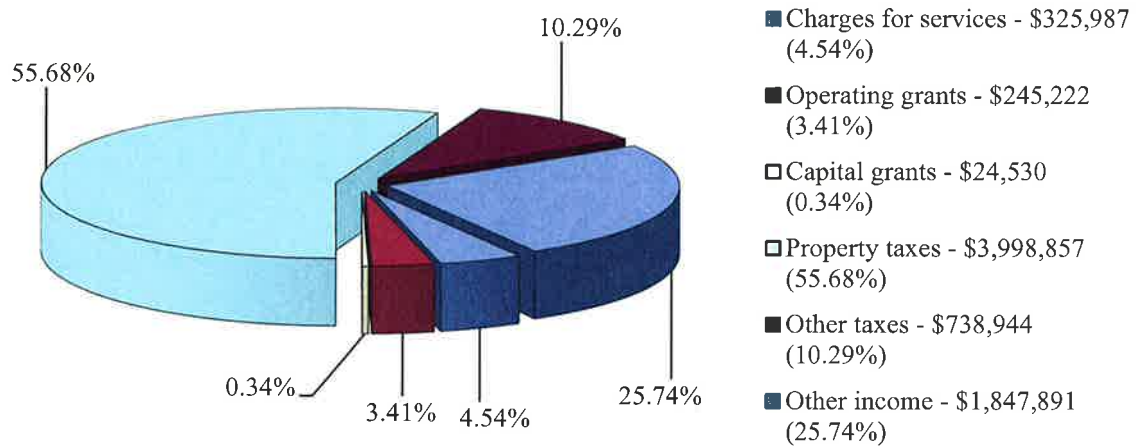
### Town-Wide Program Expenses



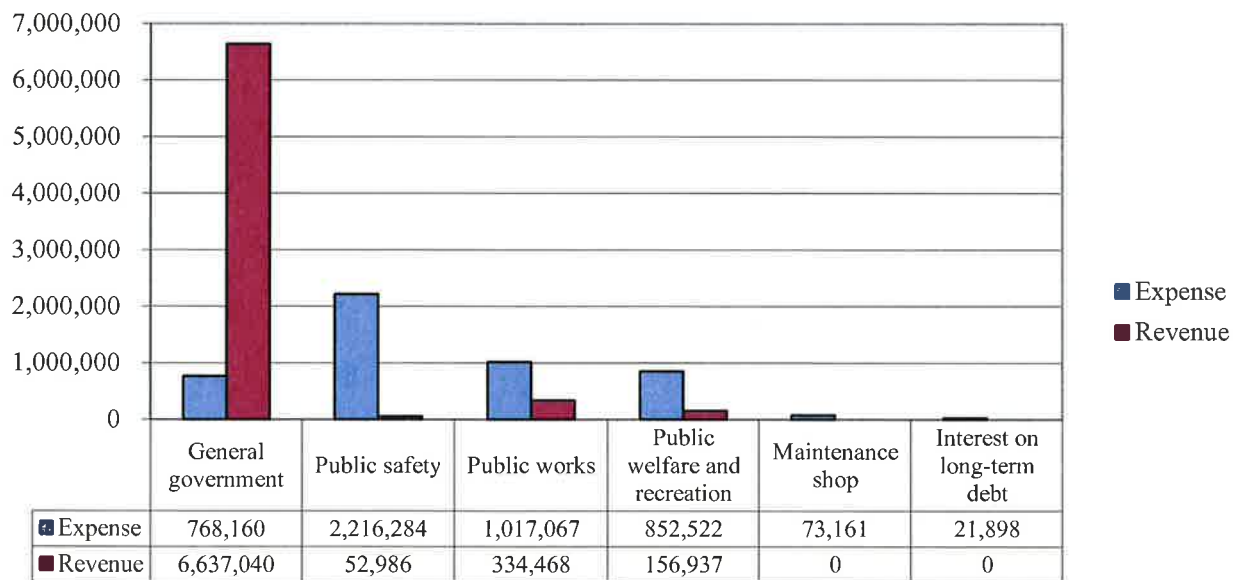
## Governmental Activities

Governmental activities accounted for revenues of \$7,181,431. The following graph summarizes revenue by source.

**Revenue by Source -  
Governmental Activities**

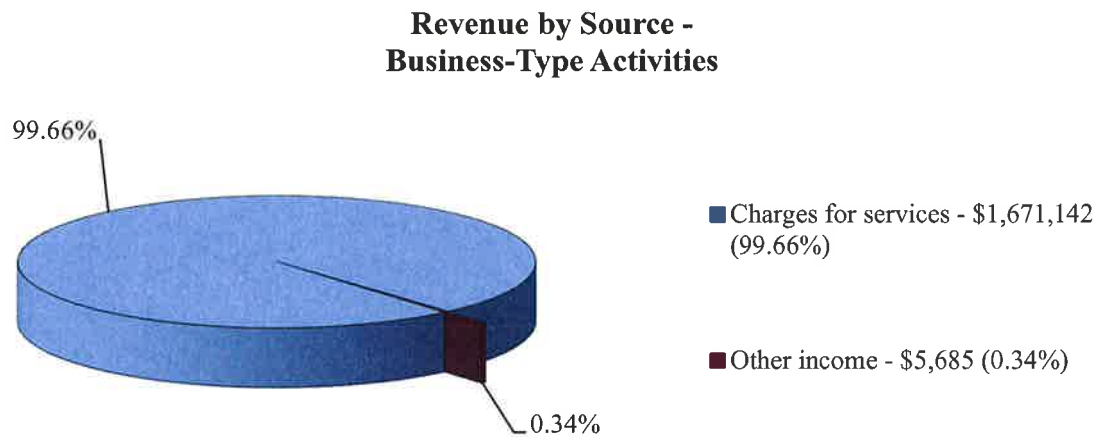


**Expenses and Program Revenues -  
Governmental Activities**

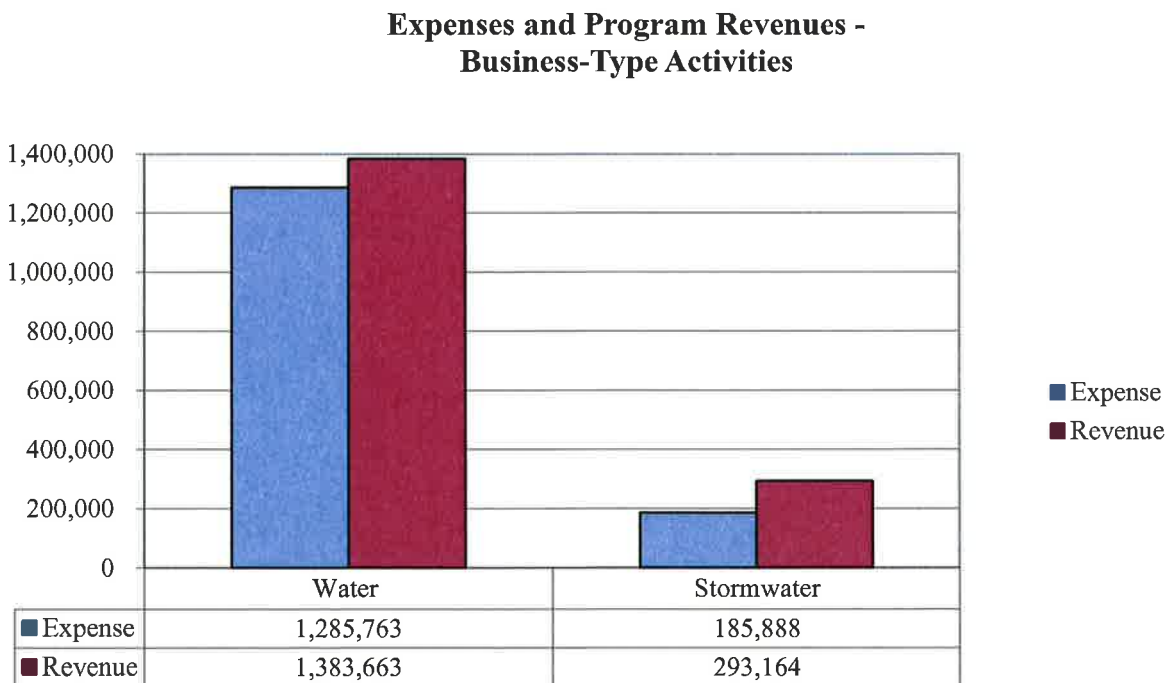


### Business-type Activities

Business-type activities accounted for revenues of \$1,676,827. The following graph summarizes the revenue by source.



The following graph summarizes the revenue and related expense of operating the water and stormwater systems.



## **FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As noted earlier, the Town of Signal Mountain, Tennessee uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the Town of Signal Mountain, Tennessee's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Signal Mountain, Tennessee's financing requirements. The unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year for future unforeseen emergencies.

As of the end of the current fiscal year, the Town of Signal Mountain, Tennessee's governmental funds reported combined ending fund balances of \$7,968,200. Approximately 83.66% of this total amount, or \$6,665,936, constitutes unassigned fund balance. Committed funds consist of \$368,998 for the purchase of mobile assets and \$440,807 for building construction. Restricted funds consist of \$42,839 for debt service payments on the new middle/high school, \$400,279 for the use of street expenditures and \$12,130 for use in investigations of drug-related violations, drug prevention programs and \$28,000 for Mountain Arts expenditures. Nonspendable funds consist of \$70,838 of inventory.

The General Fund is the chief operating fund of the Town of Signal Mountain, Tennessee. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,665,936. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 119.49% of total General Fund expenditures, excluding transfers.

### **Proprietary Funds**

The Town of Signal Mountain, Tennessee's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year amounted to \$3,357,204 for the Water Fund and \$667,500 for the Stormwater Fund.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were approximately \$(227,471), and are listed below:

General Fund budgeted revenues increased \$43,820.

General Fund budgeted expenditures increased \$392,772.

General Fund budgeted transfers out decreased \$121,481.

Departmental budget officers closely monitored expenditures during the fiscal year in order to minimize budget amendments.

## CAPITAL ASSET AND DEBT ADMINISTRATION

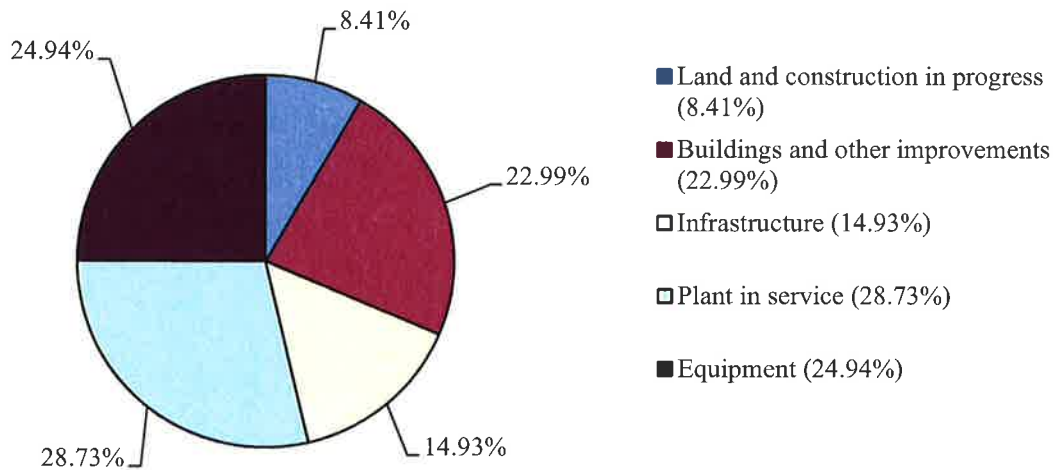
The table below summarizes the Town's investment in capital assets and is broken down by governmental and business-type activities.

### Town of Signal Mountain, Tennessee's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land and construction in progress	\$ 844,313	\$ 813,839	\$ 15,699	\$ 15,794	\$ 860,012	\$ 829,633
Buildings and improvements	2,351,635	2,325,188	-	-	2,351,635	2,325,188
Infrastructure	1,527,025	1,596,498	-	-	1,527,025	1,596,498
Plant in service	-	-	2,938,242	3,063,812	2,938,242	3,063,812
Equipment	<u>2,368,356</u>	<u>1,366,606</u>	<u>181,720</u>	<u>216,346</u>	<u>2,550,076</u>	<u>1,582,952</u>
Total capital assets	<u>\$ 7,091,329</u>	<u>\$ 6,102,131</u>	<u>\$ 3,135,661</u>	<u>\$ 3,295,952</u>	<u>\$ 10,226,990</u>	<u>\$ 9,398,083</u>

The following graph provides a breakdown of which assets make up the largest portion of the Town's total investment in capital assets. The graph combines assets used in both governmental and business-type activities.

### Town-Wide Capital Assets



Additional information on the Town of Signal Mountain, Tennessee's capital assets can be found in Note 7 on page 45 and 46 of this report.

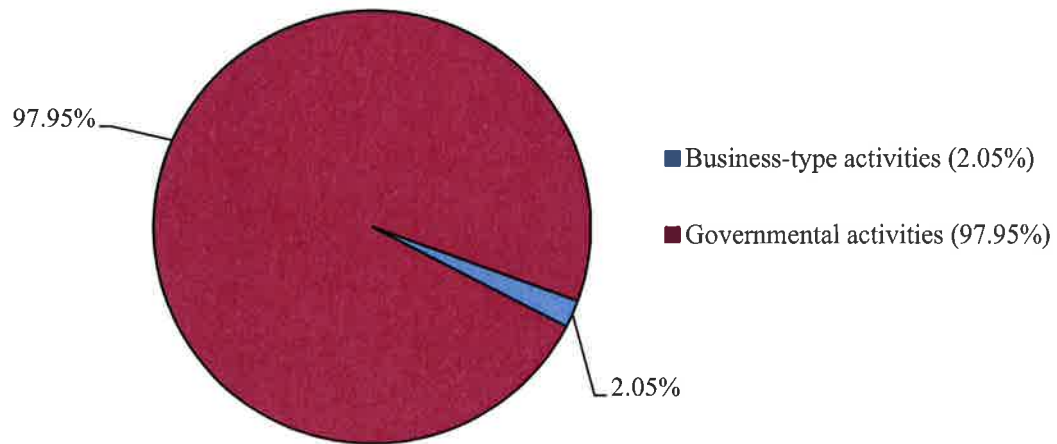


### Town of Signal Mountain, Tennessee's Outstanding Debt

At the end of the current fiscal year, the Town of Signal Mountain, Tennessee had total long-term debt outstanding of \$1,027,264; of that amount \$332,000 is due in the next fiscal year.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Capital outlay notes	\$ 846,948	\$ 1,608,665	\$ -	\$ -	\$ 846,948	\$ 1,608,665
Compensated absences	159,257	156,016	21,059	35,349	180,316	191,365
Current portion	<u>( 332,000)</u>	<u>( 410,957)</u>	<u>-</u>	<u>-</u>	<u>( 332,000)</u>	<u>( 410,957)</u>
Total long-term debt	<u>\$ 674,205</u>	<u>\$ 1,353,724</u>	<u>\$ 21,059</u>	<u>\$ 35,349</u>	<u>\$ 695,264</u>	<u>\$ 1,389,073</u>

### Long-Term Debt By Activity



Additional information on outstanding debt can be found in Note 9 on pages 47 and 48.

## **Currently Known Conditions Effecting Future Years**

In 2005, the Town of Signal Mountain, Tennessee committed, along with the Town of Walden through an inter-local agreement, to provide \$10,000,000 to Hamilton County for the construction of a high school. The Town of Signal Mountain's portion of this amount was \$7,700,000. To fund this disbursement, the Town utilized existing reserves, funds from a local option sales tax created by a 1999 referendum, and a loan agreement with the City of Clarksville's Public Building Authority.

The loan mentioned above is essentially a line of credit for up to \$7,236,000. A total of \$6,239,282 was withdrawn as needed funds after consideration of the other funding sources, and the Town subsequently authorized that any remaining available credit be forfeited. As of June 30, 2015, \$846,948 of the amount withdrawn was outstanding. The loan agreement provides for one principal payment per year and monthly variable interest payments. Additional principal payments are permitted. The agreement also specifies that the interest rate is limited to a maximum of 6%. A Schedule of Debt Service for this instrument is located on page 80 of this report and is a part of the total governmental debt summary on page 47. These schedules reflect an assumed 5% interest rate. Actual interest payments may vary from those scheduled based on future market conditions.

As of June 30, 2015, \$42,838 was legally restricted for the same and reflects funds collected through a special property tax assessment not to exceed \$.35 per \$100 of assessed property value, created by a referendum election held on May 18, 2004. In fiscal year 2015, the restricted tax collection was \$.15 per \$100 of assessed property value.

In 2015, the Town obtained a loan agreement with the City of Clarksville's Public Building Authority in the amount of \$3,000,000. The purpose of this loan is to fund construction of a public works facility and related structures, including equipment and furnishings, the construction and equipping of a fire station for the Town, the repair, renovation, improvement, and upgrade of existing municipal facilities, including but not limited to, parks and recreational facilities, library facilities, fire and police facilities, and the Town Hall, the acquisitions of all property real and personal appurtenant thereto. No drawdowns on this loan occurred by the end of the 2015 fiscal year.

The new Public Works facility includes administrative offices, three mechanics bays, equipment and vehicle storage, and a wash bay. The construction of this facility is scheduled for the winter of 2015. The Town estimates that construction costs will be \$1.5 million. In addition, the Town expects to begin construction of a new fire station in the summer of 2016. The construction costs are estimated to be \$1.0 million. The Town has budgeted \$440,790 with the remainder to be funded through the loan from the City of Clarksville's Public Building Authority. Plans for additional projects have not yet been finalized.

## **Requests for Information**

The financial report is designed to provide a general overview of the Town of Signal Mountain, Tennessee's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information may be addressed to the Town of Signal Mountain, 1111 Ridgeway Avenue, Signal Mountain, Tennessee 37377.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Statement of Net Position**  
**June 30, 2015**

	Primary Government			Component Unit
	Governmental	Business-type	Total	Public Library
	Activities	Activities		Board
<b>ASSETS</b>				
Current assets				
Cash	\$ 2,854,903	\$ 2,061,086	\$ 4,915,989	\$ 24,384
Investments	4,510,004	1,961,658	6,471,662	-
Property taxes - net	4,325,437	-	4,325,437	-
Receivable - net	26,604	470,239	496,843	-
Grant receivable	12,786	-	12,786	-
Due from other governments	1,120,667	-	1,120,667	-
Inventories	9,211	90,522	99,733	-
Total current assets	<u>12,859,612</u>	<u>4,583,505</u>	<u>17,443,117</u>	<u>24,384</u>
Non-current assets				
Other assets				
Investments - restricted	42,838	-	42,838	-
Customer lists - Walden's Ridge - net	-	13,816	13,816	-
Total other assets	<u>42,838</u>	<u>13,816</u>	<u>56,654</u>	<u>-</u>
Capital assets				
Land and construction in progress	844,313	15,699	860,012	-
Other capital assets - net of depreciation	6,247,016	3,119,962	9,366,978	-
Total capital assets	<u>7,091,329</u>	<u>3,135,661</u>	<u>10,226,990</u>	<u>-</u>
Total non-current assets	<u>7,134,167</u>	<u>3,149,477</u>	<u>10,283,644</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 19,993,779</u>	<u>\$ 7,732,982</u>	<u>\$ 27,726,761</u>	<u>\$ 24,384</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	<u>\$ 239,903</u>	<u>\$ 28,817</u>	<u>\$ 268,720</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 565,400	\$ 250,120	\$ 815,520	\$ -
Accrued liabilities	74,557	2,426	76,983	-
Notes payable - due in one year	332,000	-	332,000	-
Total current liabilities	<u>971,957</u>	<u>252,546</u>	<u>1,224,503</u>	<u>-</u>
Non-current liabilities				
Customer deposits	-	176,325	176,325	-
Notes payable	514,948	-	514,948	-
Compensated absences payable	159,257	21,059	180,316	-
Net pension liability	744,474	101,519	845,993	-
Total non-current liabilities	<u>1,418,679</u>	<u>298,903</u>	<u>1,717,582</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 2,390,636</u>	<u>\$ 551,449</u>	<u>\$ 2,942,085</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	\$ 366,551	\$ 49,985	\$ 416,536	\$ -
Deferred revenue - property taxes	4,280,200	-	4,280,200	-
Total deferred inflows of resources	<u>\$ 4,646,751</u>	<u>\$ 49,985</u>	<u>\$ 4,696,736</u>	<u>\$ -</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 7,091,329	\$ 3,135,661	\$ 10,226,990	\$ -
Restricted for Mountain Arts	28,000	-	28,000	-
Restricted for debt service	42,839	-	42,839	-
Restricted for drug enforcement program	12,130	-	12,130	-
Restricted for state street aid	400,279	-	400,279	-
Unrestricted	5,621,718	4,024,704	9,646,422	24,384
<b>TOTAL NET POSITION</b>	<u>\$ 13,196,295</u>	<u>\$ 7,160,365</u>	<u>\$ 20,356,660</u>	<u>\$ 24,384</u>

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Statement of Activities**  
**Year Ended June 30, 2015**

Functions/Programs:	Net (Expense) Revenue and Changes in Net Position						Component Unit
	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Primary Government</b>							
Governmental activities:							
General government							
Judicial	\$ 471,683	\$ -	\$ -	\$ -	\$ (471,683)	\$ -	\$ (471,683)
Financial administration	214,076	-	-	-	(214,076)	-	(214,076)
Building inspection	82,401	51,348	-	-	(31,053)	-	(31,053)
Public safety							
Police department	1,016,015	48,144	-	4,842	(963,029)	-	(963,029)
Fire department	1,200,269	-	-	-	(1,200,269)	-	(1,200,269)
Highway and streets							
Public works administration	75,791	-	-	-	(75,791)	-	(75,791)
Highway and street maintenance	401,359	-	242,985	19,688	(138,686)	-	(138,686)
Sanitation							
Solid waste department	481,846	43,333	-	-	(438,513)	-	(438,513)
Recycle center	58,071	28,462	-	-	(29,609)	-	(29,609)
Public welfare and recreation							
Recreation	516,419	86,877	875	-	(428,667)	-	(428,667)
Mountain Arts Community Center	179,964	57,811	1,362	-	(120,791)	-	(120,791)
Library	156,139	10,012	-	-	(146,127)	-	(146,127)
Maintenance shop	73,161	-	-	-	(73,161)	-	(73,161)
Interest on long-term debt	21,898	-	-	-	(21,898)	-	(21,898)
Total governmental activities	4,949,092	325,987	245,222	24,530	(4,353,353)	-	(4,353,353)
Business-type activities:							
Water	1,285,763	1,378,235	-	-	-	92,472	92,472
Stormwater	185,888	292,907	-	-	-	107,019	107,019
Total business-type activities	1,471,651	1,671,142	-	-	-	199,491	199,491
Total primary government	\$ 6,420,743	\$ 1,997,129	\$ 245,222	\$ 24,530	(4,353,353)	199,491	(4,153,862)
<b>Component Unit</b>							
Library Board	\$ 15,163	\$ 8,807	\$ -	\$ -	-	-	(6,356)
General Revenues:							
Property taxes, interest and penalty					3,998,857	-	3,998,857
Public utilities taxes					132,198	-	132,198
Sales taxes					348,625	-	348,625
Franchise tax					159,107	-	159,107
Business taxes					37,375	-	37,375
Alcoholic beverages taxes					61,639	-	61,639
Grants and contributions not restricted to specific programs					1,666,933	-	1,666,933
Investment income					10,683	5,685	16,368
Rent on land					57,255	-	57,255
Miscellaneous					113,020	-	113,020
Total general revenues					6,585,692	5,685	6,591,377
Change in net position					2,232,339	205,176	2,437,515
Net position - beginning					10,963,956	6,955,189	17,919,145
Net position - end					\$ 13,196,295	\$ 7,160,365	\$ 20,356,660

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2015**

	<b>General Fund</b>	<b>Capital Projects Vehicle Replacement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash	\$ 1,755,320	\$ 456,104	\$ 643,479	\$ 2,854,903
Investments	4,338,139	2,588	169,277	4,510,004
Investments - restricted	42,838	-	-	42,838
Property taxes - net	4,325,437	-	-	4,325,437
Receivable - net	26,604	-	-	26,604
Grant receivable	12,786	-	-	12,786
Inventory	9,211	-	-	9,211
Due from other governments	1,080,206	-	40,461	1,120,667
<b>TOTAL ASSETS</b>	<u>\$11,590,541</u>	<u>\$ 458,692</u>	<u>\$ 853,217</u>	<u>\$ 12,902,450</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 475,706	\$ 89,694	\$ -	\$ 565,400
Accrued liabilities	74,557	-	-	74,557
<b>TOTAL LIABILITIES</b>	<u>\$ 550,263</u>	<u>\$ 89,694</u>	<u>\$ -</u>	<u>\$ 639,957</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	<u>\$ 4,294,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,294,293</u>
<b>FUND BALANCES</b>				
Nonspendable	\$ 9,211	\$ -	\$ -	\$ 9,211
Restricted	70,838	-	412,410	483,248
Committed	-	368,998	440,807	809,805
Unassigned	6,665,936	-	-	6,665,936
<b>TOTAL FUND BALANCES</b>	<u>\$ 6,745,985</u>	<u>\$ 368,998</u>	<u>\$ 853,217</u>	<u>\$ 7,968,200</u>

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2015**

Total fund balances per governmental funds balance sheet	\$ 7,968,200
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,091,329
Long-term liabilities, including notes payable and compensated absences payable are not due and payable in the current period and, therefore, are not reported in the funds.	(1,006,205)
Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds.	(871,122)
Some of the Town's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	<u>14,093</u>
Net position of governmental activities	<u>\$ 13,196,295</u>

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2015**

	<b>General Fund</b>	<b>Capital Projects Vehicle Replacement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 4,661,246	\$ -	\$ -	\$ 4,661,246
Licenses and permits	51,298	-	-	51,298
Intergovernmental	1,706,297	-	227,701	1,933,998
Charges for services	258,830	-	-	258,830
Fines and forfeitures	40,029	-	3,948	43,977
Other revenues	246,640	66,771	1,221	314,632
<b>TOTAL REVENUES</b>	<u>6,964,340</u>	<u>66,771</u>	<u>232,870</u>	<u>7,263,981</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
General government	743,133	-	-	743,133
Public safety	2,154,919	-	3,143	2,158,062
Public works	837,395	3,807	39,478	880,680
Public welfare and recreation	802,536	-	-	802,536
Maintenance shop	74,963	-	-	74,963
<b>Capital Outlay</b>	182,019	1,249,004	-	1,431,023
<b>Debt Service</b>	<u>783,615</u>	<u>-</u>	<u>-</u>	<u>783,615</u>
<b>TOTAL EXPENDITURES</b>	<u>5,578,580</u>	<u>1,252,811</u>	<u>42,621</u>	<u>6,874,012</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,385,760</u>	<u>(1,186,040)</u>	<u>190,249</u>	<u>389,969</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	310,615	575,790	886,405
Transfers out	(886,405)	-	-	(886,405)
Total other financing sources (uses)	<u>(886,405)</u>	<u>310,615</u>	<u>575,790</u>	<u>-</u>
Net changes in fund balances	499,355	(875,425)	766,039	389,969
<b>Fund balances - beginning</b>	<u>6,246,630</u>	<u>1,244,423</u>	<u>87,178</u>	<u>7,578,231</u>
<b>Fund balances - end</b>	<u>\$ 6,745,985</u>	<u>\$ 368,998</u>	<u>\$ 853,217</u>	<u>\$ 7,968,200</u>

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



**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2015**

Net change in fund balances for total governmental funds	\$ 389,969
Governmental funds report capital outlay as expenditures, however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation and loss on disposal in the current period.	989,198
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(82,552)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	761,717
Pension expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities.	177,248
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:	
(Increase) decrease in compensated absences	<u>(3,241)</u>
Change in net position of governmental activities	<u>\$ 2,232,339</u>

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**Year Ended June 30, 2015**

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes				
Property taxes	\$ 3,989,411	\$ 3,989,411	\$ 4,069,059	\$ 79,648
Interest and penalties	7,500	7,500	12,350	4,850
Public utilities	587,092	587,092	102,808	(484,284)
In lieu - water fund	27,000	27,000	29,390	2,390
Local option sales taxes	375,000	375,000	348,625	(26,375)
Wholesale beer tax	65,000	65,000	61,639	(3,361)
Minimum business taxes	6,800	6,800	33,012	26,212
Gross receipts tax	36,437	36,437	4,363	(32,074)
Total taxes	5,094,240	5,094,240	4,661,246	(432,994)
License and permits				
Beer and liquor license	1,900	1,900	1,970	70
Building permits	36,300	36,300	49,178	12,878
Other permits	275	275	150	(125)
Total license and permits	38,475	38,475	51,298	12,823
Intergovernmental				
Federal grants	-	40,000	17,628	(22,372)
Other grants	-	2,820	4,675	1,855
TVA replacement	92,000	92,000	96,929	4,929
Fire and police supplemental	18,000	18,000	8,400	(9,600)
State sales tax	575,500	575,500	634,205	58,705
State income tax and excise tax	502,500	502,500	907,130	404,630
State beer tax	4,000	4,000	4,000	-
Mixed drink tax	8,500	8,500	16,269	7,769
Streets and transportation	16,500	16,500	17,061	561
Total intergovernmental	1,217,000	1,259,820	1,706,297	446,477
Charges for services				
Sanitation charges for service	47,000	47,000	41,347	(5,653)
Police special services	7,000	7,000	4,166	(2,834)
Library charges	14,400	14,400	10,012	(4,388)
Recreation activities	103,250	103,250	86,877	(16,373)
Mountain Arts Community Center	38,900	38,900	59,173	20,273
Rent	74,681	74,681	57,255	(17,426)
Total charges for services	285,231	285,231	258,830	(26,401)
Fines and forfeitures				
City court revenues	50,000	50,000	40,029	(9,971)

(Continued)

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES (Continued)</b>				
Other revenue				
Interest earnings	\$ 11,095	\$ 11,095	\$ 10,030	\$ (1,065)
Insurance recovery	-	-	1,325	1,325
CATV franchise	133,000	133,000	159,107	26,107
Sale of materials and supplies	20,000	20,000	28,478	8,478
Miscellaneous	15,000	15,000	23,632	8,632
Contributions and donations	56,000	57,000	24,068	(32,932)
Total other revenue	<u>235,095</u>	<u>236,095</u>	<u>246,640</u>	<u>10,545</u>
<b>TOTAL REVENUES</b>	<u>6,920,041</u>	<u>6,963,861</u>	<u>6,964,340</u>	<u>479</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
<b>General government</b>				
Judicial				
Salaries	33,732	33,732	33,917	(185)
Payroll taxes	2,580	2,580	2,534	46
Fringe benefits	2,376	2,376	1,896	480
Pension expense	1,598	1,598	1,604	(6)
Insurance	1,005	1,005	115	890
Miscellaneous	325	325	229	96
Office supplies	400	400	595	(195)
Operating supplies	3,525	4,725	4,787	(62)
Postage and printing	125	125	91	34
Professional services	5,800	4,600	500	4,100
Repairs and maintenance	30	30	-	30
Telephone and other communications	300	300	219	81
Travel and training	100	100	-	100
Total judicial	<u>51,896</u>	<u>51,896</u>	<u>46,487</u>	<u>5,409</u>

(Continued)

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
<b>General government (Continued)</b>				
Administration				
Salaries	\$ 135,739	\$ 137,404	\$ 127,407	\$ 9,997
Payroll taxes	10,031	10,031	9,961	70
Fringe benefits	89,622	194,622	184,994	9,628
Pension expense	11,185	11,185	10,806	379
Insurance	1,598	1,598	51	1,547
Miscellaneous	11,800	18,050	18,006	44
Office supplies	2,000	2,000	1,462	538
Operating supplies	1,929	7,129	5,116	2,013
Postage and printing	7,380	7,380	6,216	1,164
Professional services	55,500	60,300	58,705	1,595
Repairs and maintenance	1,250	1,250	477	773
Telephone and other communications	750	750	970	(220)
Travel and training	4,500	4,500	3,218	1,282
Utilities	5,125	5,125	5,522	(397)
Vehicle expense	-	-	30	(30)
Total administration	<u>338,409</u>	<u>461,324</u>	<u>432,941</u>	<u>28,383</u>
Finance				
Salaries	91,392	91,392	91,620	(228)
Payroll taxes	6,991	6,991	6,890	101
Fringe benefits	9,308	9,308	7,004	2,304
Pension expense	7,796	7,796	7,846	(50)
Insurance	942	942	745	197
Miscellaneous	5,750	5,750	3,645	2,105
Office supplies	3,500	3,500	2,864	636
Operating supplies	24,036	24,036	24,188	(152)
Postage and printing	10,020	10,020	7,032	2,988
Professional services	20,640	20,640	20,140	500
Repairs and maintenance	1,250	1,250	366	884
Telephone and other communications	750	750	281	469
Travel and training	4,500	4,500	1,946	2,554
Utilities	5,125	5,125	5,154	(29)
Total finance	<u>192,000</u>	<u>192,000</u>	<u>179,721</u>	<u>12,279</u>

(Continued)

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
<b>General government (Continued)</b>				
Building and codes				
Salaries	\$ 71,020	\$ 71,020	\$ 58,963	\$ 12,057
Payroll taxes	5,433	5,433	4,253	1,180
Fringe benefits	15,371	15,371	7,893	7,478
Pension expense	7,462	7,462	4,979	2,483
Insurance	6,016	6,016	145	5,871
Miscellaneous	-	-	34	(34)
Office supplies	1,000	1,000	697	303
Operating supplies	4,630	4,630	2,412	2,218
Postage and printing	650	650	564	86
Professional services	10,000	10,000	-	10,000
Repairs and maintenance	2,400	2,400	173	2,227
Telephone and other communications	650	650	1,714	(1,064)
Travel and training	3,000	3,000	1,376	1,624
Vehicle expense	2,000	2,000	781	1,219
Total building and codes	<u>129,632</u>	<u>129,632</u>	<u>83,984</u>	<u>45,648</u>
Total general government	<u>711,937</u>	<u>834,852</u>	<u>743,133</u>	<u>91,719</u>
<b>Public safety</b>				
Police				
Salaries	695,825	719,762	642,463	77,299
Payroll taxes	53,231	55,062	48,267	6,795
Fringe benefits	104,189	104,324	54,908	49,416
Pension expense	83,708	86,588	76,655	9,933
Animal control	3,000	10,000	9,990	10
Contract services	49,511	49,511	51,101	(1,590)
Insurance	57,206	58,635	3,624	55,011
Miscellaneous	700	700	520	180
Office supplies	1,500	1,500	3,256	(1,756)
Operating supplies	21,800	31,588	33,015	(1,427)
Postage and printing	2,800	2,800	3,583	(783)
Repairs and maintenance	20,580	20,580	10,980	9,600
Telephone and other communications	12,550	12,550	14,295	(1,745)
Travel and training	10,000	10,000	7,388	2,612
Utilities	6,200	6,200	6,154	46
Vehicle expense	52,200	52,200	35,321	16,879
Total police	<u>1,175,000</u>	<u>1,222,000</u>	<u>1,001,520</u>	<u>220,480</u>

(Continued)

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
<b>Public safety (Continued)</b>				
Fire protection and control services				
Salaries	\$ 740,623	\$ 740,623	\$ 744,813	\$ (4,190)
Payroll taxes	56,658	56,658	55,021	1,637
Fringe benefits	113,343	113,343	87,522	25,821
Pension expense	83,573	83,573	88,866	(5,293)
Contract services	46,011	46,011	49,321	(3,310)
Insurance	47,647	47,647	3,633	44,014
Miscellaneous	10,500	10,500	5,247	5,253
Office supplies	1,200	1,200	1,360	(160)
Operating supplies	51,201	51,201	57,760	(6,559)
Postage and printing	2,450	2,450	2,187	263
Repairs and maintenance	23,000	23,000	20,992	2,008
Telephone and other communications	6,300	6,300	4,538	1,762
Travel and training	13,500	13,500	12,642	858
Utilities	13,400	13,400	10,623	2,777
Vehicle expense	15,000	15,000	8,874	6,126
Total fire protection and control services	<u>1,224,406</u>	<u>1,224,406</u>	<u>1,153,399</u>	<u>71,007</u>
Total public safety	<u>2,399,406</u>	<u>2,446,406</u>	<u>2,154,919</u>	<u>291,487</u>
<b>Public works</b>				
Public works administration				
Salaries	75,825	75,825	48,615	27,210
Payroll taxes	5,801	5,801	3,345	2,456
Fringe benefits	16,395	16,395	8,449	7,946
Pension expense	6,468	6,468	4,090	2,378
Insurance	2,260	2,260	271	1,989
Miscellaneous	250	250	389	(139)
Office supplies	600	600	520	80
Operating supplies	2,700	2,700	1,246	1,454
Postage and printing	950	950	1,537	(587)
Professional services	1,000	1,000	6,520	(5,520)
Repairs and maintenance	600	600	646	(46)
Telephone and other communications	600	600	448	152
Travel and training	3,000	3,000	1,841	1,159
Utilities	1,000	1,000	158	842
Vehicle expense	600	600	289	311
Total public works administration	<u>118,049</u>	<u>118,049</u>	<u>78,364</u>	<u>39,685</u>

(Continued)

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
<b>Public works (Continued)</b>				
Highway and street maintenance				
Salaries	\$ 165,556	\$ 165,556	\$ 120,190	\$ 45,366
Payroll taxes	12,665	12,665	8,245	4,420
Fringe benefits	61,503	61,503	41,239	20,264
Pension expense	14,122	14,122	10,109	4,013
Insurance	20,603	20,603	1,684	18,919
Miscellaneous	300	300	197	103
Office supplies	100	100	144	(44)
Operating supplies	9,600	9,600	7,371	2,229
Paving and road repair	35,950	39,550	23,792	15,758
Postage and printing	1,000	1,000	1,719	(719)
Repairs and maintenance	19,000	19,000	14,879	4,121
Telephone and other communications	2,500	2,500	1,691	809
Travel and training	2,000	2,000	2,360	(360)
Vehicle expense	31,300	31,300	19,956	11,344
Total highway and street maintenance	<u>376,199</u>	<u>379,799</u>	<u>253,576</u>	<u>126,223</u>
Solid waste department				
Salaries	183,129	193,129	178,027	15,102
Payroll taxes	14,009	14,009	12,605	1,404
Fringe benefits	4,615	4,615	2,674	1,941
Pension expense	13,280	13,280	13,350	(70)
Contract services	40,000	25,000	22,115	2,885
Insurance	19,677	9,677	1,577	8,100
Landfill - hauling services	50,000	65,000	54,785	10,215
Landfill services	100,000	100,000	83,924	16,076
Miscellaneous	3,000	3,000	2,448	552
Office supplies	300	300	63	237
Operating supplies	2,350	18,350	17,838	512
Postage and printing	1,450	1,450	926	524
Repair and maintenance	24,000	39,000	26,487	12,513
Telephone and other communications	500	500	282	218
Travel and training	1,500	1,500	1,656	(156)
Vehicle expense	60,300	44,300	28,144	16,156
Total solid waste department	<u>518,110</u>	<u>533,110</u>	<u>446,901</u>	<u>86,209</u>

(Continued)

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
<b>Public works (Continued)</b>				
Recycling centers				
Salaries	\$ 8,216	\$ 8,216	\$ 8,489	\$ (273)
Payroll taxes	629	629	596	33
Fringe benefits	1,242	1,242	794	448
Pension expense	701	701	697	4
Contract services	44,200	44,200	44,112	88
Insurance	951	951	129	822
Operating supplies	1,600	1,600	1,609	(9)
Repair and maintenance	3,500	3,500	429	3,071
Telephone and other communications	600	600	522	78
Utilities	750	750	1,177	(427)
Total recycling centers	62,389	62,389	58,554	3,835
Total public works	1,074,747	1,093,347	837,395	255,952
<b>Public welfare and recreation</b>				
Mountain Arts Community Center				
Salaries	73,371	73,371	71,138	2,233
Payroll taxes	5,613	5,613	5,326	287
Fringe benefits	4,034	4,034	3,234	800
Pension expense	3,788	3,788	3,803	(15)
Contract services	1,520	1,520	1,466	54
Insurance	4,016	4,016	1,748	2,268
Miscellaneous	600	600	360	240
Office supplies	1,500	1,500	1,143	357
Operating supplies	10,950	12,450	8,208	4,242
Postage and printing	8,050	8,050	8,757	(707)
Professional services	4,000	4,000	2,878	1,122
Repairs and maintenance	9,250	11,070	10,961	109
Telephone and other communications	2,000	2,000	1,932	68
Travel and training	1,250	1,250	-	1,250
Utilities	20,000	20,000	25,561	(5,561)
Vehicle expense	50	50	-	50
Total Mountain Arts Community Center	149,992	153,312	146,515	6,797

(Continued)

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



**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
<b>Public welfare and recreation (Continued)</b>				
Recreation administration				
Salaries	\$ 45,835	\$ 45,835	\$ 46,346	\$ (511)
Payroll taxes	3,506	3,506	3,248	258
Fringe benefits	8,293	8,293	5,053	3,240
Pension expense	3,910	3,910	3,921	(11)
Insurance	3,154	3,154	186	2,968
Miscellaneous	100	100	20	80
Office supplies	-	-	1,412	(1,412)
Operating supplies	350	350	-	350
Postage and printing	430	430	2,265	(1,835)
Repair and maintenance	-	-	2,131	(2,131)
Telephone and other communications	500	500	1,215	(715)
Travel and training	2,500	2,500	32	2,468
Utilities	-	-	975	(975)
Total recreation administration	<u>68,578</u>	<u>68,578</u>	<u>66,804</u>	<u>1,774</u>
Pool				
Salaries	48,284	42,188	40,767	1,421
Payroll tax	3,694	3,228	2,974	254
Insurance	4,361	4,009	543	3,466
Miscellaneous	1,500	1,500	1,857	(357)
Office supplies	100	800	729	71
Operating supplies	23,100	18,600	13,636	4,964
Repairs and maintenance	11,000	11,000	6,893	4,107
Telephone and other communications	400	400	642	(242)
Utilities	25,000	28,000	23,001	4,999
Total pool	<u>117,439</u>	<u>109,725</u>	<u>91,042</u>	<u>18,683</u>
Concessions				
Salaries	-	6,096	7,327	(1,231)
Payroll tax	-	466	621	(155)
Insurance	-	352	13	339
Operating supplies	-	5,000	6,071	(1,071)
Total concessions	<u>-</u>	<u>11,914</u>	<u>14,032</u>	<u>(2,118)</u>

(Continued)

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
<b>Public welfare and recreation (Continued)</b>				
Parks and recreation maintenance				
Salaries	\$ 70,303	\$ 70,303	\$ 67,350	\$ 2,953
Payroll taxes	5,378	5,378	4,794	584
Fringe benefits	12,114	12,114	8,815	3,299
Pension expense	4,480	4,480	4,411	69
Insurance	5,867	5,867	706	5,161
Operating supplies	7,900	8,400	9,746	(1,346)
Repairs and maintenance	13,000	14,000	11,073	2,927
Telephone and other communications	-	-	449	(449)
Utilities	4,000	4,000	2,671	1,329
Vehicle expense	10,500	10,500	8,920	1,580
Total parks and recreation maintenance	133,542	135,042	118,935	16,107
Tennis courts				
Insurance	1,800	1,800	375	1,425
Operating supplies	2,700	2,700	714	1,986
Repairs and maintenance	4,000	4,000	1,357	2,643
Telephone and other communications	-	-	143	(143)
Utilities	1,000	1,000	662	338
Total tennis courts	9,500	9,500	3,251	6,249
Ballfield				
Insurance	1,175	1,175	293	882
Operating supplies	7,700	7,700	9,336	(1,636)
Professional services	-	-	276	(276)
Repairs and maintenance	16,500	16,500	21,950	(5,450)
Utilities	8,200	8,200	8,335	(135)
Total ballfield	33,575	33,575	40,190	(6,615)
Gym				
Salaries	23,344	23,344	16,664	6,680
Payroll taxes	1,786	1,786	1,201	585
Insurance	3,706	3,706	489	3,217
Operating supplies	4,000	4,000	762	3,238
Repairs and maintenance	6,200	6,200	6,977	(777)
Utilities	10,000	10,000	8,932	1,068
Total gym	49,036	49,036	35,025	14,011

(Continued)

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
<b>Public welfare and recreation (Continued)</b>				
Facilities maintenance				
Salaries	\$ 28,344	\$ 28,344	\$ 23,010	\$ 5,334
Payroll taxes	2,168	2,168	1,723	445
Fringe benefits	8,714	8,714	2,354	6,360
Pension expense	2,418	2,418	1,926	492
Contract services	-	-	815	(815)
Insurance	3,131	3,131	27	3,104
Miscellaneous	150	150	70	80
Office supplies	150	150	146	4
Operating supplies	3,300	3,300	1,270	2,030
Postage and printing	100	100	71	29
Repairs and maintenance	80,718	115,718	109,628	6,090
Telephone	500	500	230	270
Vehicle expense	1,000	1,000	365	635
Total facilities maintenance	<u>130,693</u>	<u>165,693</u>	<u>141,635</u>	<u>24,058</u>
Library				
Salaries	87,758	88,158	87,159	999
Payroll taxes	6,713	6,744	6,277	467
Fringe benefits	8,794	8,794	6,149	2,645
Pension expense	3,636	3,636	3,649	(13)
Insurance	3,315	3,319	680	2,639
Miscellaneous	70	70	-	70
Office supplies	3,500	3,500	4,074	(574)
Operating supplies	25,328	25,328	25,010	318
Postage and printing	2,075	2,075	1,632	443
Professional services	-	-	579	(579)
Repairs and maintenance	2,250	2,250	972	1,278
Telephone and other communications	2,300	2,300	1,489	811
Travel and training	400	400	-	400
Utilities	7,350	7,350	7,437	(87)
Total library	<u>153,489</u>	<u>153,924</u>	<u>145,107</u>	<u>8,817</u>
Total public welfare and recreation	<u>845,844</u>	<u>890,299</u>	<u>802,536</u>	<u>87,763</u>

(Continued)

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
<b>Maintenance shop</b>				
Salaries	\$ 37,779	\$ 37,779	\$ 37,409	\$ 370
Payroll taxes	2,890	2,890	2,472	418
Fringe benefits	8,734	8,734	6,081	2,653
Pension expense	3,223	3,223	3,191	32
Insurance	3,577	3,577	144	3,433
Office supplies	-	-	69	(69)
Operating supplies	5,250	5,250	3,361	1,889
Repairs and maintenance	2,600	2,600	2,142	458
Telephone and other communications	2,300	2,300	2,248	52
Travel and training	500	500	395	105
Utilities	15,400	15,400	15,879	(479)
Vehicle expense	1,750	1,750	1,572	178
Total maintenance shop	84,003	84,003	74,963	9,040
 <b>Capital Outlay</b>				
General government	9,200	124,075	121,615	2,460
Public safety	55,000	53,000	37,612	15,388
Public works	25,000	10,000	5,583	4,417
Public welfare and recreation	190,100	84,600	17,209	67,391
Total capital outlay	279,300	271,675	182,019	89,656
 <b>Debt Service</b>				
Principal paid	528,957	761,717	761,717	-
Interest	119,264	53,931	21,898	32,033
Total debt service	648,221	815,648	783,615	32,033
 <b>TOTAL EXPENDITURES</b>	<u>6,043,458</u>	<u>6,436,230</u>	<u>5,578,580</u>	<u>857,650</u>
 Excess (deficiency) of revenues over (under) expenditures	876,583	527,631	1,385,760	858,129
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(1,365,346)	(1,243,865)	(886,405)	357,460
 Net changes in fund balances	(488,763)	(716,234)	499,355	1,215,589
 Fund balances - beginning	<u>6,246,630</u>	<u>6,246,630</u>	<u>6,246,630</u>	<u>-</u>
 Fund balances - end	<u>\$ 5,757,867</u>	<u>\$ 5,530,396</u>	<u>\$ 6,745,985</u>	<u>\$ 1,215,589</u>

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2015**

	<b>Enterprise Funds</b>		
		<b>Other Enterprise Fund</b>	
	<b>Water Fund</b>	<b>Stormwater Fund</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets			
Cash	\$ 1,377,960	\$ 683,126	\$ 2,061,086
Investments	1,920,053	41,605	1,961,658
Receivable - net	470,239	-	470,239
Inventories	90,522	-	90,522
Total current assets	<u>3,858,774</u>	<u>724,731</u>	<u>4,583,505</u>
Non-current assets			
Other assets			
Customer lists - Walden's Ridge - net	13,816	-	13,816
Capital assets			
Land and construction in progress	15,699	-	15,699
Other capital assets - net of accumulated depreciation	3,008,801	111,161	3,119,962
Total capital assets	<u>3,024,500</u>	<u>111,161</u>	<u>3,135,661</u>
Total non-current assets	<u>3,038,316</u>	<u>111,161</u>	<u>3,149,477</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,897,090</u>	<u>\$ 835,892</u>	<u>\$ 7,732,982</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>\$ 20,217</u>	<u>\$ 8,600</u>	<u>\$ 28,817</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 238,871	\$ 11,249	\$ 250,120
Accrued liabilities	1,613	813	2,426
Total current liabilities	<u>240,484</u>	<u>12,062</u>	<u>252,546</u>
Non-current liabilities			
Customer deposits	176,325	-	176,325
Compensated absences payable	17,792	3,267	21,059
Net pension liability	67,679	33,840	101,519
Total non-current liabilities	<u>261,796</u>	<u>37,107</u>	<u>298,903</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 502,280</u>	<u>\$ 49,169</u>	<u>\$ 551,449</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>\$ 33,323</u>	<u>\$ 16,662</u>	<u>\$ 49,985</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 3,024,500	\$ 111,161	\$ 3,135,661
Unrestricted	3,357,204	667,500	4,024,704
<b>TOTAL NET POSITION</b>	<u>\$ 6,381,704</u>	<u>\$ 778,661</u>	<u>\$ 7,160,365</u>

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2015**

	<b>Enterprise Funds</b>		
		<b>Other</b>	
	<b>Water</b>	<b>Enterprise Fund</b>	
	<b>Fund</b>	<b>Stormwater</b>	<b>Total</b>
	<b>Fund</b>	<b>Fund</b>	
<b>OPERATING REVENUES</b>			
Water service charges	\$ 1,345,493	\$ -	\$ 1,345,493
Stormwater user fees	-	292,907	292,907
Penalties	25,641	-	25,641
Other revenue	7,101	-	7,101
Total operating revenues	<u>1,378,235</u>	<u>292,907</u>	<u>1,671,142</u>
<b>OPERATING EXPENSES</b>			
Water purchases	402,430	-	402,430
Power and pumping	181,309	-	181,309
Treatment and transmission	140,134	-	140,134
Maintenance	266,640	-	266,640
Stormwater operations	-	162,411	162,411
Administration	128,912	-	128,912
Depreciation	<u>163,377</u>	<u>23,477</u>	<u>186,854</u>
Total operating expenses	<u>1,282,802</u>	<u>185,888</u>	<u>1,468,690</u>
Operating income	<u>95,433</u>	<u>107,019</u>	<u>202,452</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest earnings	5,428	257	5,685
Amortization expense	<u>(2,961)</u>	<u>-</u>	<u>(2,961)</u>
Total non-operating revenues (expenses)	<u>2,467</u>	<u>257</u>	<u>2,724</u>
Changes in net position	97,900	107,276	205,176
Net position - beginning (see note 17)	<u>6,283,804</u>	<u>671,385</u>	<u>6,955,189</u>
Net position - end	<u>\$ 6,381,704</u>	<u>\$ 778,661</u>	<u>\$ 7,160,365</u>

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**June 30, 2015**

	<b>Enterprise Funds</b>		
		<b>Other Enterprise Fund</b>	
	<b>Water Fund</b>	<b>Stormwater Fund</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 1,298,370	\$ 292,907	\$ 1,591,277
Payments to suppliers	(831,241)	(60,038)	(891,279)
Payments to employees	(224,491)	(101,478)	(325,969)
Net cash provided (used) by operating activities	<u>242,638</u>	<u>131,391</u>	<u>374,029</u>
<b>Cash Flows from Non-capital and Related Financing Activities</b>			
Due to/from other funds	(18,135)	267,214	249,079
Net cash provided (used) by non-capital financing activities	<u>(18,135)</u>	<u>267,214</u>	<u>249,079</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Amortization of customer lists	(2,961)	-	(2,961)
Acquisitions and construction of capital assets	-	(26,658)	(26,658)
Proceeds from the disposition of capital assets	95	-	95
Net cash provided (used) by capital and related financing activities	<u>(2,866)</u>	<u>(26,658)</u>	<u>(29,524)</u>
<b>Cash Flows from Investing Activities</b>			
(Purchase) sale of investments	(5,400)	(36)	(5,436)
Interest revenue received	5,428	257	5,685
Net cash provided (used) by investing activities	<u>28</u>	<u>221</u>	<u>249</u>
Net increase (decrease) in cash	221,665	372,168	593,833
<b>Cash - beginning</b>	<u>1,156,295</u>	<u>310,958</u>	<u>1,467,253</u>
<b>Cash - end</b>	<u>\$ 1,377,960</u>	<u>\$ 683,126</u>	<u>\$ 2,061,086</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income	\$ 95,433	\$ 107,019	\$ 202,452
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	163,377	23,477	186,854
2014 pension contribution	20,108	10,054	30,162
Increase (decrease) in net pension liability	(47,736)	(23,868)	(71,604)
Increase (decrease) in deferred inflows related to pensions	33,323	16,662	49,985
(Increase) decrease in deferred outflows related to pensions	(20,217)	(8,600)	(28,817)
(Increase) decrease in receivable - net	(79,865)	-	(79,865)
(Increase) decrease in inventories	5,369	-	5,369
(Increase) decrease in customer lists	2,961	-	2,961
Increase (decrease) in accounts payable	86,521	9,862	96,383
Increase (decrease) in accrued liabilities	(8,953)	(3,156)	(12,109)
Increase (decrease) in compensated absences payable	(14,231)	(59)	(14,290)
Increase (decrease) in customer deposits	6,548	-	6,548
Total adjustments	<u>147,205</u>	<u>24,372</u>	<u>171,577</u>
Net cash provided (used) by operating activities	<u>\$ 242,638</u>	<u>\$ 131,391</u>	<u>\$ 374,029</u>

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Signal Mountain, Tennessee have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Town of Signal Mountain, Tennessee operates under the Town Manager - Council form of government within the following departments: general government, public safety, public works, public welfare and recreation, and maintenance shop.

The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP and GASB issued Statement No. 14, *The Financial Reporting Entity*. This statement requires that the financial statements present the Town of Signal Mountain, Tennessee (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting one of the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board and the primary government is able to impose its will upon the potential component unit); or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The component unit discussed in this note is included in the Town's reporting entity because of the significance of its operational or financial relationship with the Town.

**Discretely Presented Component Unit**

The Public Library Board (PLB) provides public welfare assistance to the residents of the Town by providing educational reading material and assistance. The Town of Signal Mountain, Tennessee appoints all of the Board members and approves the operating budget of the PLB.

The Component Unit column in the government-wide financial statements includes the financial data of this component unit. It is reported in a separate column of the government-wide financial statements to emphasize that it is legally separate from, and does not provide services exclusively to the Town. Separately issued financial statements of the PLB are not available.

**B. Basic Financial Statements**

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities.



## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **B. Basic Financial Statements (Continued)**

#### **Government-wide statements**

The Statement of Net Position and Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis, and (b) are reflected on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents both a gross and net cost comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The net cost (by function or business-type activity) is normally covered by general revenue (property or sales taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is designed to view the Town as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period.

#### **Fund Financial Statements**

The fund financial statements provide information about the Town's funds, including its governmental funds and enterprise funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

#### **General Fund**

This 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.

#### **Vehicle Replacement Fund**

This Capital Projects Fund is used to account for the purchase and replacement of vehicles and rolling stock.

The Town reports the following major proprietary fund:

#### **Water Fund**

This fund is used to account for the provision of water services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, billing and collection.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **C. Measurement Focus, Basis of Accounting**

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

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, gasoline taxes, wholesale beer taxes, income taxes, mixed drink taxes, and in-lieu of taxes are susceptible to accrual. License and permits, fines and forfeitures, gross receipts taxes and excise taxes are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred, except for the principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operation. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town's Water Fund also recognizes as operating revenue the portion of the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise 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 non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 needed.

### **D. Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The Town follows the following procedures in establishing the budgetary data reflected in the financial statements.

In mid-April of each year the Town Manager holds budget hearings with all department heads submitting requests. The operating budget includes proposed expenditures and the means of financing them. A five-year capital budget is presented in conjunction with the operating budget.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **D. Budgets and Budgetary Accounting (Continued)**

By May 1, the Town Manager presents a budget to the Council. Beginning in mid-May the Town Council holds meetings to develop a final budget. Prior to July 1, the budget is adopted by a budget ordinance and a tax rate ordinance.

The Town Manager is authorized to transfer budgeted amounts within any department; however, any revisions that alter the total expenditures of any department must be approved by the Town Council. Expenditures may not exceed appropriations at the fund level.

Formal legally adopted budgets are employed as a management control device during the year for all funds. Budgeted amounts reflected in the accompanying final budget and actual comparison are as originally adopted or amended by the Town Council.

All appropriations that are not expended lapse at year end.

During the year, supplementary appropriations were necessary. The effect of the amendments follow:

General Fund: Budgeted revenues increased by \$43,820. Budgeted expenditures increased by \$392,772. Budgeted transfers out decreased by \$121,481.

Vehicle Replacement Fund: Budgeted expenditures increased by \$181,642.

State Street Aid Fund: Budgeted revenues decreased by \$491,040. Budgeted expenditures decreased by \$992,000. Budgeted transfers in decreased by \$250,960.

Building Construction Fund: Budgeted revenues decreased by \$196,500. Budgeted expenditures decreased by \$1,302,500. Budgeted proceeds from debt issuance decreased by \$539,729. Budgeted transfers in decreased by \$125,481.

Water Fund: Budgeted expenses decreased by \$17,000.

Stormwater Fund: Budgeted expenses increased by \$26,657.

### **E. Cash and Cash Equivalents**

For purposes of reporting cash on the Statement of Net Position, the Town considers unrestricted highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash consist of cash-on-hand and on-deposit with financial institutions. These are classified on the Statement of Cash Flows as "Cash". At June 30, 2015, the Town had no cash equivalents.

### **F. Investments**

Investments are carried at market which approximates cost, and consist of deposits in the State of Tennessee Local Government Investment Pool (LGIP) and certificates-of-deposit. These are classified on the Statement of Net Position as "Investments" and "Investments - restricted". The Town is authorized by State Statutes to invest in the following:

Bonds, notes or treasury bills of the United States.

Nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Student Loan Marketing Association.

Any obligation guaranteed by the United States or any of its agencies.

Certificates-of-deposit at state and federal chartered banks and savings and loan associations.  
The Local Government Investment Pool created by Title 9.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **G. Restricted Investments**

In April 1999, the Town enacted and levied a retail sales privilege tax of ½% in addition to the existing sales tax subject to the approval of the voters as allowed by State statutes. In May 1999, the voters in the Town approved the additional sales tax in a referendum election. The referendum restricted the sales tax to the purpose of aiding in the building of a high school in the Town or if in the judgment of the Town Council such high school was not going to be built, the proceeds of the sales tax were restricted to education. On July 1, 2004, a county-wide local sales tax became effective. The enactment of the county-wide local sales tax eliminated the restriction of any further local sales tax collected.

### **H. Property Taxes**

Property taxes levied by the Town are assessed by the Tax Assessor of Hamilton County, Tennessee, and collected by the Town. Property tax revenues are recognized on the accrual basis in the government-wide financial statements and in the governmental funds on the modified accrual basis. Proper allowances are made for estimated uncollectible accounts and delinquent accounts when necessary.

### **I. Interfund Transactions**

#### **Interfund Receivables and Payables**

Short-term advances between funds are not eliminated, but accounted for in the appropriate interfund receivable and payable accounts classified as due from other funds and due to other funds in the fund financial statements and are subject to elimination upon consolidation. Any residual balances outstanding between governmental activities and the business-type activities are reported in the government-wide financial statements as "Internal balances".

#### **Transactions between Funds**

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expense in the fund that is reimbursed. All other legally authorized transfers are not eliminated but treated as operating transfers and are included as other financing sources or uses in the governmental funds and reported after non-operating revenue or expenses in the enterprise funds.

### **J. Prepayment of Expenditures**

Governmental fund expenditures for insurance and similar services extending over more than one accounting period are not allocated between accounting periods but are accounted for as expenditures of the period of acquisition.

### **K. Inventories**

Inventories are valued at average cost. The cost of an inventory item is recorded as an expense at the time of purchase. Inventories on hand at year-end are physically counted and recorded as assets, reducing the appropriate expense account.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., primary roads, secondary roads, drainage), 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 more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the proprietary funds are accounted for in the proprietary fund and are stated at cost or estimated fair value when original cost is not available. Major additions are capitalized while maintenance and repairs, including the cost of minor items of property, are expensed as incurred. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

#### Asset Class

Buildings and other improvements	10 - 40 years
Equipment	5 - 20 years
Public improvements (infrastructure)	40 years
Plant in service	50 years

The Town's policy is to capitalize the net interest cost incurred during the year resulting from borrowings utilized to finance the construction of assets.

### M. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Entity has only one type of item that qualifies for reporting in this category: deferred outflows related to pensions.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Currently, the City has two types of items that qualify for reporting in this category: deferred revenue - property taxes and deferred inflows related to pensions.

### N. Compensated Absences

Annual leave for employees of governmental funds is recorded as an expenditure in the period it is used and considered payable from current financial resources. Government-wide proprietary funds accrue vacation benefits in the period they are earned. A liability for these amount is reported in governmental funds only if they have matured.

### O. Customer Deposits

The customer deposits represent the liability to customers for refundable deposits received from the customers.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### P. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

### Q. Pensions

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

### R. Net Position

Net position is the residual of all elements presented in the Statement of Financial Position (i.e., assets + deferred outflows - liabilities - deferred inflows). Net investment in capital assets represent capital assets reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction or improvement of those assets. Restricted net position represents restricted assets reduced by any related outstanding debt.

### S. Fund Balance

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* established 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: The Town cannot spend these amounts due to form.

Restricted: The State or other sources can restrict funds to specific purposes by externally imposing restrictions or imposing by law through constitutional provisions or enabling legislation.

Committed: The Town Council has the authority to commit funds for a specific purpose. Any funds set aside as committed fund balance requires, at a minimum, the passage of a resolution by a simple majority vote. An ordinance may also be used.

Assigned: The Town Council has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as assigned fund balance requires a simple majority vote and must be recorded in the minutes.

Unassigned: Amounts not classified as nonspendable, restricted, committed, or assigned.

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When restricted, committed, assigned and unassigned funds are available for use, restricted funds should be spent first, committed funds second, assigned funds third and unassigned funds last.

### T. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### U. Events Occurring after Reporting Date

The Town has evaluated events and transactions that occurred between June 30, 2015, and December 11, 2015, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

## NOTE 2 - DEPOSITS AND INVESTMENTS

### Deposits

Custodial credit risk is the risk that in the event of a bank failure the Town's deposits may not be returned to it. The Town does not have a deposit or investment policy for custodial credit risk, however, the State of Tennessee requires its governmental entities to either meet the deposit and collateralization regulations under TCA Title 9, Chapter 4, Parts 1 and 4, or as provided in the collateral pool. As of June 30, 2015, the carrying amount of the Town's deposits was \$6,380,854, and the bank balance was \$6,105,469. None of the Town's bank balance was exposed to custodial credit risk as uninsured or uncollateralized due to the fact that all of its deposits and investments are in a financial institution that is a participant in the State of Tennessee collateral pool.

The carrying amount of the Town's deposits is classified as follows on the Statement of Net Position:

Cash	\$ 4,915,989
Investments	6,471,662
Restricted investments	42,838
Less: Investments in LGIP	( 5,048,240)
Petty cash	( 1,395)
Total	<u>\$ 6,380,854</u>

### Investments

The Town's investments are carried at fair value, and consist of investments in the State of Tennessee Local Government Investment Pool (LGIP) and certificates-of-deposits. The LGIP is considered a 2a-7 like account (SEC designation) and is only required to be reported at amortized cost. The LGIP is an unrated investment pool. Because the fund is valued at a constant dollar, the Town's position in the pool is equal to its account balance (fair value) as of June 30, 2015. The Town's investments are listed on the Statement of Net Position as follows:

Investments	\$ 6,471,662
Restricted investments	<u>42,838</u>
Total	<u>\$ 6,514,500</u>

\$42,838 of the investments is restricted for payment of debt on a new high school.

## NOTE 3 - PROPERTY TAXES - NET

Tax rate for the 2015 levy is \$1.5684 per \$100 of assessed valuation and the tax rate for the 2014 levy is \$1.5684 per \$100 of assessed valuation.

Property taxes for the 2015 levy are considered to be owed to the Town as of the lien date on January 1, 2015. Therefore, the entire 2015 levy was recorded as a receivable and deferred revenue as of June 30, 2015.

**NOTE 3 - PROPERTY TAXES -NET (Continued)**

The property tax calendar applicable to the current fiscal year is as follows:

Lien date	January 1, 2015
Levy date	January 1, 2015
Tax bills mailed	October 1, 2014
Payment due date	October 1, 2014
	Through February 28, 2015
Delinquency date	March 1, 2015

Property taxes receivable as of June 30, 2015, are composed of the following:

<u>Year of Levy</u>	
2015	\$ 4,280,200
2014	62,992
2013	50,562
2012	27,588
2011	17,172
2010	13,493
2009	14,387
2008	1,127
2007	671
2006	645
	<u>4,468,837</u>
Less: allowance for uncollectibles	<u>( 143,400)</u>
Property taxes receivable - net	<u>\$ 4,325,437</u>

**NOTE 4 - RECEIVABLE - NET**

Accounts and other receivables at June 30, 2015, consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Customer accounts	\$ -	\$ 476,805	\$ 476,805
Wholesale beer tax	5,641	-	5,641
Franchise tax	20,938	-	20,938
Miscellaneous	25	-	25
	<u>26,604</u>	<u>476,805</u>	<u>503,409</u>
Less allowance for uncollectible accounts	<u>-</u>	<u>( 6,566)</u>	<u>( 6,566)</u>
Total	<u>\$ 26,604</u>	<u>\$ 470,239</u>	<u>\$ 496,843</u>

Bad debt expense was \$0 for year ended June 30, 2015.

**NOTE 5 - GRANT RECEIVABLE**

Grant receivable at June 30, 2015 consist of \$12,786 from the U.S. Department of Transportation.



## NOTE 6 - DUE FROM OTHER GOVERNMENTS

Due from other governments as of June 30, 2015, consists of the following receivables from the State of Tennessee:

State income tax	\$ 901,774
State street aid revenues	40,461
City streets and transportation revenues	2,840
Mixed drink tax revenue	5,977
State sales tax revenue	113,632
Local sales tax revenue	54,943
Business tax revenue	875
Telecommunications tax revenue	<u>165</u>
Total	<u>\$ 1,120,667</u>

Due to collection history, no allowance for bad debt was considered necessary.

## NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Ending Decreases	Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	<u>\$ 813,839</u>	<u>\$ 30,474</u>	<u>\$ -</u>	<u>\$ 844,313</u>
Capital assets being depreciated:				
Building and other improvements	5,494,088	140,533	( 10,985)	5,623,636
Equipment	3,646,208	1,315,784	(242,330)	4,719,662
Public improvements (infrastructure)	<u>2,278,823</u>	<u>-</u>	<u>-</u>	<u>2,278,823</u>
Total capital assets being depreciated	<u>11,419,119</u>	<u>1,456,317</u>	<u>(253,315)</u>	<u>12,622,121</u>
Less accumulated depreciation for:				
Buildings and other improvements	3,168,900	114,086	( 10,985)	3,272,001
Equipment	2,279,602	308,262	(236,558)	2,351,306
Public improvements (infrastructure)	<u>682,325</u>	<u>69,473</u>	<u>-</u>	<u>751,798</u>
Total accumulated depreciation	<u>6,130,827</u>	<u>491,821</u>	<u>(247,543)</u>	<u>6,375,105</u>
Total capital assets being depreciated - net	<u>5,288,292</u>	<u>964,496</u>	<u>( 5,772)</u>	<u>6,247,016</u>
Governmental activities capital assets - net	<u>\$ 6,102,131</u>	<u>\$ 994,970</u>	<u>\$ ( 5,772)</u>	<u>\$ 7,091,329</u>

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

General government	\$ 40,488
Public safety	177,922
Public works	174,924
Public welfare and recreation	96,838
Maintenance shop	<u>1,649</u>
Total	<u>\$ 491,821</u>

**NOTE 7 - CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 95	\$ -	\$ ( 95)	\$ -
Construction in progress	<u>15,699</u>	<u>-</u>	<u>-</u>	<u>15,699</u>
Total capital assets not being depreciated	<u>15,794</u>	<u>-</u>	<u>( 95)</u>	<u>15,699</u>
Capital assets being depreciated:				
Plant in service	6,658,924	-	-	6,658,924
Equipment	<u>951,123</u>	<u>26,658</u>	<u>( 18,338)</u>	<u>959,443</u>
Total capital assets being depreciated	<u>7,610,047</u>	<u>26,658</u>	<u>( 18,338)</u>	<u>7,618,367</u>
Less accumulated depreciation for:				
Plant in service	3,595,112	125,570	-	3,720,682
Equipment	<u>734,777</u>	<u>61,284</u>	<u>( 18,338)</u>	<u>777,723</u>
Total capital depreciation	<u>4,329,889</u>	<u>186,854</u>	<u>( 18,338)</u>	<u>4,498,405</u>
Total capital assets being depreciated - net	<u>3,280,158</u>	<u>(160,196)</u>	<u>-</u>	<u>3,119,962</u>
Business-type activities capital assets - net	<u>\$3,295,952</u>	<u>\$(160,196)</u>	<u>\$ ( 95)</u>	<u>\$3,135,661</u>

A summary of business-type capital assets by fund at June 30, 2015, follows:

	<u>Water Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Land	\$ -	\$ -	\$ -
Construction in progress	15,699	-	15,699
Buildings	181,102	-	181,102
Improvements other than buildings	6,477,822	-	6,477,822
Machinery and equipment	447,563	-	447,563
Vehicles	164,878	198,796	363,674
Office and computer equipment	<u>5,997</u>	<u>142,209</u>	<u>148,206</u>
Total	7,293,061	341,005	7,634,066
Less accumulated depreciation	<u>(4,268,561)</u>	<u>( 229,844)</u>	<u>( 4,498,405)</u>
Business-type capital assets - net	<u>\$ 3,024,500</u>	<u>\$ 111,161</u>	<u>\$ 3,135,661</u>

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

Water	\$ 163,377
Stormwater	<u>23,477</u>
Total	<u>\$ 186,854</u>

**NOTE 8 - DEFERRED OUTFLOWS RELATED TO PENSIONS**

Deferred outflows related to pensions at June 30, 2015, consists of the following:

2015 contribution	<u>\$ 268,720</u>
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## NOTE 9 - LONG-TERM DEBT

### A. Governmental Debt

Long-term debt, which consists of capital outlay notes, and compensated absences is summarized as follows:

	Principal Balance
Capital outlay note, Series 2007, variable rate loan, due 5/25/2021	\$ 846,948
Capital outlay note, Local Government Energy Efficiency Loan, 0% interest, due 2/2015, issued 12/17/07	-
Capital outlay note, Series 2010, 2.75% interest, due 8/15/2018, issued 09-15-10	-
Compensated absences payable	159,257
	1,006,205
Less: current portion of governmental long-term debt	( 332,000)
Total governmental long-term debt	\$ 674,205

A summary of changes in governmental long-term debt for the year ended June 30, 2015, are as follows:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Amount Due Within One Year
Capital outlay note, 2007	\$ 1,231,948	\$ -	\$ ( 385,000)	\$ 846,948	\$ 332,000
Capital outlay note	5,757	-	( 5,757)	-	-
Capital outlay note, 2010	370,960	-	( 370,960)	-	-
Compensated absences	156,016	3,241	-	159,257	-
Total	\$ 1,764,681	\$ 3,241	\$ ( 761,717)	1,006,205	\$ 332,000
Less: current portion of governmental long-term debt				( 332,000)	
Total governmental long-term debt				\$ 674,205	

Interest paid during the year ended June 30, 2015, on governmental long-term debt was \$21,898.

There are various limitations and restrictions contained in the note indenture. The Town is in compliance with all significant limitations and restrictions.

Governmental debt service requirements to maturity including interest of \$15,858 are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2016	\$ 332,000	\$ 8,774	\$ 340,774
2017	346,000	5,334	351,334
2018	168,948	1,750	170,698
Total	\$ 846,948	\$ 15,858	\$ 862,806

Note: Compensated absences are not included in the above debt service requirement schedule due to their inestimable nature.

**NOTE 9 - LONG-TERM DEBT (Continued)****B. Business-type Debt****Water Fund**

Long-term debt payable by the Water Fund, which consists of compensated absences, is summarized as follows:

					<u>Principal Balance</u>
Compensated absences					<u>\$ 17,792</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>Amount Due Within</u>
	<u>July 1, 2014</u>			<u>June 30, 2015</u>	<u>One Year</u>
Compensated absences	<u>\$ 32,023</u>	<u>\$ -</u>	<u>\$ ( 14,231)</u>	<u>\$ 17,792</u>	<u>\$ -</u>
Less: current portion of water long-term debt				<u>-</u>	
Total water long-term debt				<u>\$ 17,792</u>	

Interest expense of the Water Fund during the year amounted to \$0.

**Stormwater Fund**

Long-term debt payable by the Stormwater Fund, which consists of compensated absences, is summarized as follows:

					<u>Principal Balance</u>
Compensated absences					<u>\$3,267</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>Amount Due Within</u>
	<u>July 1, 2014</u>			<u>June 30, 2015</u>	<u>One Year</u>
Compensated absences	<u>\$ 3,326</u>	<u>\$ -</u>	<u>\$ ( 59)</u>	<u>\$ 3,267</u>	<u>\$ -</u>
Less: current portion of stormwater long-term debt				<u>-</u>	
Total stormwater long-term debt				<u>\$ 3,267</u>	

Interest expense of the Stormwater Fund during the year amounted to \$0.

**NOTE 10 - NET PENSION LIABILITY**

Net pension liability at June 30, 2015, consists of the following:

Net pension liability at July 1, 2013	\$ 1,442,691
Employer contributions made during 2014	( 251,361)
Pension expense	71,199
Actuarial experience different than assumption	( 22,661)
Amortization of actuarial experience	3,777
Investment earnings greater than assumption	( 497,065)
Amortization of investment earnings	<u>99,413</u>
Total	<u>\$ 845,993</u>

## NOTE 11 - DEFERRED INFLOWS RELATED TO PENSIONS

Deferred inflows related to pension at June 30, 2015, consists of the following:

Deferred inflows for actuarial experience	\$ 22,661
Amortization of deferred inflows for actuarial experience	( 3,777)
Deferred inflows for investment earnings	497,065
Amortization of deferred inflows for investment earnings	<u>( 99,413)</u>
Total	<u>\$ 416,536</u>

## NOTE 12 - DEFERRED REVENUE - PROPERTY TAXES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds as deferred inflows were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	<u>\$ 14,093</u>	<u>\$ 4,280,200</u>	<u>\$4,294,293</u>

Funds that are earned, but not available, are realized as revenue under GASB #33.

## NOTE 13 - NET POSITION RESTRICTIONS

The Town records restrictions of net position which are maintained for specific purposes. The nature and purpose of the restrictions and designations are explained as follows:

\$28,000 is legally restricted for use by the Mountain Arts Community Center.

\$42,839 is legally restricted for debt service on a local middle/high school.

\$12,130 is legally restricted for use in investigations of drug-related violations and drug prevention programs.

\$400,279 is legally restricted for use in the State Street Aid Fund for street expenditures.

## NOTE 14 - FUND BALANCES

Fund balances are as follows:

Nonspendable: \$9,211 is nonspendable inventory.

Restricted: \$42,839 is legally restricted for debt service on a local middle/high school. \$28,000 is legally restricted for use by the Mountain Arts Community Center. \$12,130 is legally restricted for use in investigations of drug-related violations and drug prevention programs. \$400,279 is legally restricted for use in the State Street Aid Fund for street expenditures.

Committed: \$368,998 is committed for the purchase of mobile assets. \$440,807 is committed for building construction.

#### NOTE 14 - FUND BALANCES (Continued)

Unassigned: In accordance with generally accepted accounting principles, the General Fund is the only fund at 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.

#### NOTE 15 - TRANSFERS

Transfers for the current year were as follows:

	Transfers to:			Total
	Vehicle Replacement Fund	State Street Aid Fund	Building Construction Fund	
Transfer from:				
General Fund	\$ 310,615	\$ 135,000	\$ 440,790	\$ 886,405

The Town transferred funds from the General Fund to the Vehicle Replacement Fund as part of a vehicle replacement plan that schedules the systematic replacement and funding of modular equipment.

Funds were transferred from the General Fund to the State Street Aid Fund for support of upcoming road projects.

Funds were transferred from the General Fund to the Building Construction Fund to fund future building projects.

#### NOTE 16 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position:

The governmental fund balance includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that, "long-term liabilities, including notes payable and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds". The details of this \$(1,006,205) difference are as follows:

Notes payable	\$ ( 846,948)
Compensated absences	( 159,257)
Net adjustment	\$ (1,006,205)

Another element of that reconciliation states that, "Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(871,122) difference are as follows:

Deferred outflows related to pensions	\$ 239,903
Net pension liability	( 744,474)
Deferred inflows related to pensions	( 366,551)
Net adjustment	\$ ( 871,122)

**NOTE 16 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

Explanation of certain differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities:

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes reconciliation between net changes in fund balances for total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that, "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". The details of this \$989,198 difference are as follows:

Capital outlay	\$ 1,486,791
Depreciation expense	( 491,821)
Loss on disposal of capital asset	<u>( 5,772)</u>
Net adjustment	<u>\$ 994,970</u>

Another element of that reconciliation states that, "Repayment of long-term debt is reported as expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position". The details of this \$761,717 difference are as follows:

Capital outlay note, 2007	\$ 385,000
Capital outlay note	5,757
Capital outlay note, 2010	<u>370,960</u>
Net adjustment	<u>\$ 761,717</u>

Another element of that reconciliation states that, "Pension expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities." The details of this \$177,248 difference are as follows:

Pension expense	\$ ( 62,655)
Contributions	<u>239,903</u>
Net adjustment	<u>\$ 177,248</u>

**NOTE 17 - GASB STATEMENT 68 IMPLEMENTATION ADJUSTMENT**

GASB Statement 68 requires net position liabilities to be recorded on the Statement of Net Position. During the year of implementation, beginning net position on the Statement of Activities is adjusted as follows:

Governmental Activities:	
June 30, 2014 ending net position	\$ 12,012,326
June 30, 2014 net pension liability	( 1,269,568)
June 30, 2014 contribution	<u>221,198</u>
Beginning net position as listed on Statement of Activities	<u>\$ 10,963,956</u>

## **NOTE 17 - GASB STATEMENT 68 IMPLEMENTATION ADJUSTMENT (Continued)**

Beginning net position for the business-type funds are adjusted on the individual funds' financial statements as follows:

### **Water Fund:**

June 30, 2014 ending net position	\$ 6,379,111
June 30, 2014 net pension liability	( 115,415)
June 30, 2014 contribution	<u>20,108</u>

Beginning net position as listed on the financial statements	<u>\$ 6,283,804</u>
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### **Stormwater Fund:**

June 30, 2014 ending net position	\$ 719,039
June 30, 2014 net pension liability	( 57,708)
June 30, 2014 contributions	<u>10,054</u>

Beginning net position as listed on the financial statements	<u>\$ 671,385</u>
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## **NOTE 18 - LITIGATION AND CLAIMS**

The Town's management is not aware of any litigation or claims that would be material to the Town's financial statements.

## **NOTE 19 - COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS**

The Town has no material violations of finance related legal and contractual provisions.

## **NOTE 20 - COMMERCIAL INSURANCE**

It is the policy of the Town to purchase commercial insurance for various risks of losses to which it is exposed. These risks include public official and employee dishonesty bonds. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

## **NOTE 21 - PENSION PLAN**

### **General Information about the Pension Plan**

#### **Plan description**

Employees of Signal Mountain are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).



## **NOTE 21 - PENSION PLAN (Continued)**

### **General Information about the Pension Plan (Continued)**

#### **Benefits provided**

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

No cost of living adjustment (COLA) is given after retirement. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

#### **Employees covered by benefit terms**

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	38
Inactive employees entitled to but not yet receiving benefits	61
Active employees	<u>61</u>
	<u>160</u>

#### **Contributions**

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Signal Mountain makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Signal Mountain were \$268,720 based on a rate of 10.42 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Signal Mountain's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

### **Net Pension Liability (Asset)**

Signal Mountain's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

#### **Actuarial assumptions**

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	not applicable

**NOTE 21 - PENSION PLAN (Continued)****Net Pension Liability (Asset) (Continued)**

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

**NOTE 19 - PENSION PLAN (Continued)****Net Pension Liability (Asset) (Continued)****Discount rate**

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Signal Mountain will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 6/30/13	\$ 6,878,576	\$ 5,435,885	\$ 1,442,691
Changes for the year:			
Services cost	186,105	-	186,105
Interest	517,825	-	517,825
Differences between expected and actual experience	( 22,661)	-	( 22,661)
Contributions - employer	-	251,361	( 251,361)
Contributions - employees	-	122,475	( 122,475)
Net investment income	-	906,655	( 906,655)
Benefit payments, including refunds of employee contributions	( 320,690)	( 320,690)	-
Administrative expense	-	( 2,524)	2,524
Net changes	360,579	957,277	( 596,698)
Balances at 6/30/14	\$ 7,239,155	\$ 6,393,162	\$ 845,993

**Sensitivity of the net pension liability (asset) to changes in the discount rate**

The following presents the net pension liability (asset) of Signal Mountain calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Signal Mountain's net pension liability (asset)	\$ 1,684,603	\$ 845,993	\$ 137,207

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions****Pension expense**

For the year ended June 30, 2015, Signal Mountain recognized pension expense of \$71,199.

**NOTE 21 - PENSION PLAN (Continued)****Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)****Deferred outflows of resources and deferred inflows of resources**

For the year ended June 30, 2015, Signal Mountain reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actuarial experience	\$ -	\$ 18,884
Net difference between projected and actual earnings on pension plan investments	-	397,652
Contributions subsequent to the measurement date of June 30, 2014	<u>268,720</u>	<u>(not applicable)</u>
Total	<u>\$ 268,720</u>	<u>\$ 416,536</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

**Year Ended June 30:**

2016	\$ (103,190)
2017	\$ (103,190)
2018	\$ (103,190)
2019	\$ (103,190)
2020	\$ ( 3,777)
Thereafter	\$ -

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

**Payable to the Pension Plan**

At June 30, 2015, Signal Mountain reported a payable of \$845,993 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

## **NOTE 22 - RISK MANAGEMENT POOL**

The Town is exposed to various risk of loss related to torts, errors and omissions, damages to assets, and injuries to employees. The Town has joined the Tennessee Municipal League Risk Management Pool (TML). The membership allows the Town to share liability, motor vehicle, and employee injury risks.

The TML Risk Management Pool is a governmental entity organized by Tennessee cities as a not-for-profit corporation to provide liability and workers' compensation coverage to Tennessee cities. Emphasis is on risk management and controlling losses, as all costs are shared by the Pool member cities. An extensive program of loss prevention, employee training and legal counsel supplements experienced claims processing for member cities.

Coverages are as follows:

Buildings and personal property	\$16,204,636
Comprehensive general liability	State tort limits* and \$1,000,000 non-state torts
Automobile liability	State tort limits* and \$1,000,000 non-state torts
Error or omissions	\$1,000,000 per occurrence
Workers compensation	\$300,000 each accident \$300,000 each employee \$700,000 policy limit

\*State Tort Limits:

\$300,000 per person  
\$700,000 per occurrence  
\$300,000 per property

### **The responsibilities of the Town are as follows:**

To pay all contributions or other sums due to TML at such times and in such amounts as shall be established by TML.

To allow TML and its agents reasonable access to all facilities of the Town and all records, including but not limited to financial records, which relate to the purposes of TML during the coverage period and up to (3) three years afterward.

To allow attorneys appointed by TML to represent the Town in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Town within the scope of loss protection furnished by TML.

To assist and cooperate in the defense and settlement of claims against the Town.

To furnish full cooperation to TML's attorneys, claims adjusters, and any agent, employee, officer or independent contractor of TML relating to the purposes of TML.

To follow all loss reduction and prevention procedures established by TML where possible.

To furnish to TML such operating and underwriting information as may be requested.

## **NOTE 22 - RISK MANAGEMENT POOL (Continued)**

### **The responsibilities of the Town are as follows (Continued):**

To report as promptly as possible, and in accordance with any conditions issued, all incidents which could result in TML being required to pay claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection in which the Town participates.

To allow TML to inspect and appraise any damaged property before its repair or disposition.

The Town must cooperate with the pool in any dispute resolutions with other insurance companies.

### **The responsibilities of TML are as follows:**

TML will defend any suit against the Town or covered party seeking damages even if any of the allegations of the suit are groundless, false, or fraudulent.

TML's duty to pay on behalf of or to indemnify a covered party other than the Town does not apply to any act, error or omission:

- (1) That constitutes malfeasance in office;
- (2) That constitutes willful and wanton neglect of duty;
- (3) That constitutes dishonesty on the part of a covered party; or
- (4) That constitutes the willful violation of a statute or ordinance by any official, employee, or agent of the municipality.

The Town has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The Town is not aware of any claims which the Town is liable for (in excess of insurance coverage) which were outstanding and unpaid at June 30, 2015. No provision has been made in the financial statements for the year ended June 30, 2015, for any estimate of potential unpaid claims.

**REQUIRED SUPPLEMENTAL INFORMATION OTHER THAN MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Schedule of Changes in Signal Mountain's Net Pension Liability (Asset) and**  
**Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS**  
**June 30, 2015**

**Last Fiscal Year Ending June 30**

	<u>2014</u>
<u>Total pension liability</u>	
Service cost	\$ 186,105
Interest	517,825
Changes in benefit terms	-
Differences between actual and expected experience	(22,661)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(320,690)</u>
Net change in total pension liability	360,579
Total pension liability - beginning	<u>6,878,576</u>
Total pension liability - ending (a)	<u>\$ 7,239,155</u>
 <u>Plan fiduciary net position</u>	
Contributions - employer	\$ 251,361
Contributions - employee	122,475
Net investment income	906,655
Benefit payments, including refunds of employee contributions	(320,690)
Administrative expense	<u>(2,524)</u>
Net change in plan fiduciary net position	957,277
Plan fiduciary net position - beginning	<u>5,435,885</u>
Plan fiduciary net position - ending (b)	<u>\$ 6,393,162</u>
 Net Pension Liability (Asset) - ending (a) - (b)	<u>\$ 845,993</u>
 Plan fiduciary net position as a percentage of total pension liability	88.31%
 Covered-employee payroll	\$ 2,449,490
 Net pension liability (asset) as a percentage of covered-employee payroll	34.54%

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



**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Schedule of Signal Mountain's Contributions Based on**  
**Participation in the Public Employee Pension Plan of TCRS**  
**June 30, 2015**

**Last Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 251,361	\$ 268,720
Contributions in relation to the actuarially determined contribution	<u>251,361</u>	<u>268,720</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,449,490	\$ 2,578,737
Contributions as a percentage covered-employee payroll	10.26%	10.42%

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Schedule of Signal Mountain's Contributions Based on**  
**Participation in the Public Employee Pension Plan of TCRS (Continued)**  
**June 30, 2015**

**Notes to Schedule**

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	9 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustment	not applicable

## **OTHER SUPPLEMENTARY INFORMATION**

## NON-MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

**Drug Fund:** This fund is used to account for investigations of violations of controlled substance laws and is funded primarily by the state statute from the receipt of fines and costs related to drug enforcement cases.

**State Street Aid Fund:** This fund is used to account for the expenditures of the Town's streets that are funded by tax revenues from the gasoline and motor fuels tax received from the State of Tennessee and other general tax revenues transferred from the General Fund.

### Capital Project Funds

Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**Building Construction Fund:** This fund is used to account for funds set aside for future building construction projects.

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Non-major Governmental Fund**  
**Combining Balance Sheet**  
**June 30, 2015**

	<u>Special Revenue</u>		<u>Capital Projects Building Construction Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>Drug Fund</u>	<u>State Street Aid Fund</u>		
<b>ASSETS</b>				
Cash	\$ 12,131	\$ 190,541	\$ 440,807	\$ 643,479
Investments	-	169,277	-	169,277
Due from other governments	-	40,461	-	40,461
<b>TOTAL ASSETS</b>	<u>\$ 12,131</u>	<u>\$ 400,279</u>	<u>\$ 440,807</u>	<u>\$ 853,217</u>
<b>FUND BALANCES</b>				
Restricted	\$ 12,131	\$ 400,279	\$ -	\$ 412,410
Committed	-	-	440,807	440,807
<b>TOTAL FUND BALANCES</b>	<u>\$ 12,131</u>	<u>\$ 400,279</u>	<u>\$ 440,807</u>	<u>\$ 853,217</u>

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Non-Major Governmental Fund**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2015**

	<u>Special Revenue</u>		<u>Capital Projects Building Construction Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>Drug Fund</u>	<u>State Street Aid Fund</u>		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 227,701	\$ -	\$ 227,701
Fines and forfeitures	3,948	-	-	3,948
Other revenues	<u>1,145</u>	<u>59</u>	<u>17</u>	<u>1,221</u>
<b>TOTAL REVENUES</b>	<u>5,093</u>	<u>227,760</u>	<u>17</u>	<u>232,870</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Public safety	3,143	-	-	3,143
Public works	<u>-</u>	<u>39,478</u>	<u>-</u>	<u>39,478</u>
<b>TOTAL EXPENDITURES</b>	<u>3,143</u>	<u>39,478</u>	<u>-</u>	<u>42,621</u>
Excess (deficiency) of revenues over (under) expenditures	1,950	188,282	17	190,249
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>135,000</u>	<u>440,790</u>	<u>575,790</u>
Net changes in fund balances	1,950	323,282	440,807	766,039
<b>Fund balances - beginning</b>	<u>10,181</u>	<u>76,997</u>	<u>-</u>	<u>87,178</u>
<b>Fund balances - end</b>	<u>\$ 12,131</u>	<u>\$ 400,279</u>	<u>\$ 440,807</u>	<u>\$ 853,217</u>

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Drug Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Fines and forfeitures				
City court revenues	\$ 2,800	\$ 2,800	\$ 3,948	\$ 1,148
Other revenues				
Interest earnings	6	6	5	(1)
Miscellaneous	-	-	1,140	1,140
Total other revenues	6	6	1,145	1,139
<b>TOTAL REVENUES</b>	2,806	2,806	5,093	2,287
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Public safety				
Drug prevention	1,000	1,000	-	1,000
Office supplies	-	-	50	(50)
Operating supplies	-	3,200	3,093	107
Total public safety	1,000	4,200	3,143	1,057
<b>Capital Outlay</b>				
Public safety				
Equipment	5,500	2,300	-	2,300
<b>TOTAL EXPENDITURES</b>	6,500	6,500	3,143	3,357
Excess (deficiency) of revenues over (under) expenditure	(3,694)	(3,694)	1,950	5,644
<b>Fund balances - beginning</b>	10,181	10,181	10,181	-
<b>Fund balances - end</b>	\$ 6,487	\$ 6,487	\$ 12,131	\$ 5,644

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**State Street Aid Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
Intergovernmental				
Grants	\$ 511,040	\$ 20,000	\$ 6,902	\$ (13,098)
Streets and transportation	205,000	205,000	220,799	15,799
Total intergovernmental	<u>716,040</u>	<u>225,000</u>	<u>227,701</u>	<u>2,701</u>
Other revenues				
Interest earnings	-	-	59	59
<b>TOTAL REVENUES</b>	<u>716,040</u>	<u>225,000</u>	<u>227,760</u>	<u>2,760</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Public works				
Highways and street maintenance				
Street lighting (electricity)	18,500	18,500	21,046	(2,546)
Engineering	50,000	50,000	9,402	40,598
Tree removal	16,000	16,000	5,830	10,170
Paint and stripping	<u>28,000</u>	<u>28,000</u>	<u>3,200</u>	<u>24,800</u>
Total public works	<u>112,500</u>	<u>112,500</u>	<u>39,478</u>	<u>73,022</u>
<b>Capital Outlay</b>				
Public works				
Highways and street maintenance				
Street infrastructure	<u>1,092,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
<b>TOTAL EXPENDITURES</b>	<u>1,204,500</u>	<u>212,500</u>	<u>39,478</u>	<u>173,022</u>
Excess (deficiency) of revenues over (under) expenditures	(488,460)	12,500	188,282	175,782
<b>OTHER FINANCING SOURCE (USES)</b>				
Transfers in	<u>488,460</u>	<u>237,500</u>	<u>135,000</u>	<u>(102,500)</u>
Net changes in fund balances	-	250,000	323,282	(73,282)
<b>Fund balances - beginning</b>	<u>76,997</u>	<u>76,997</u>	<u>76,997</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 76,997</u>	<u>\$ 326,997</u>	<u>\$ 400,279</u>	<u>\$ 73,282</u>



**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Building Construction Fund**  
**Capital Projects**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Intergovernmental				
Grants	\$ 196,500	\$ -	\$ -	\$ -
Other revenues				
Interest earnings	-	-	17	17
<b>TOTAL REVENUES</b>	<u>196,500</u>	<u>-</u>	<u>17</u>	<u>17</u>
<b>EXPENDITURES</b>				
<b>Capital Outlay</b>				
General government				
Facility repair and improvements	500,000	500,000	-	500,000
Public safety				
Fire station	1,000,000	25,000	-	25,000
Public works				
Facility	1,500,000	1,500,000	-	1,500,000
Public welfare and recreation				
MACC improvements	327,500	-	-	-
Total capital outlay	<u>3,327,500</u>	<u>2,025,000</u>	<u>-</u>	<u>2,025,000</u>
<b>TOTAL EXPENDITURES</b>	<u>3,327,500</u>	<u>2,025,000</u>	<u>-</u>	<u>2,025,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,131,000)</u>	<u>(2,025,000)</u>	<u>17</u>	<u>2,025,017</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt issuance	2,564,729	2,025,000	-	(2,025,000)
Transfers in	566,271	440,790	440,790	-
Total other financing sources (uses)	<u>3,131,000</u>	<u>2,465,790</u>	<u>440,790</u>	<u>(2,025,000)</u>
Net changes in fund balances	-	440,790	440,807	2,025,017
<b>Fund balances - beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ -</u>	<u>\$ 440,790</u>	<u>\$ 440,807</u>	<u>\$ 17</u>

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## **FINANCIAL SCHEDULES**

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

Grantor/Pass-through Agency	CFDA Number	State Grant/Project Number	(Accrued) Deferred Grant Revenues July 1, 2014	Grant Revenues Received	Expenditures	(Accrued) Deferred Grant Revenues June 30, 2015
<b>Federal</b>						
U.S. Department of Transportation						
Transportation Enhancement Section	20.205	STP-M-9215(2)	\$ -	\$ 6,902	\$ 6,902	\$ -
Aggressive Driver Enforcement	20.600	PT-15-44	-	-	12,786	(12,786)
Total U.S. Department of Transportation			-	6,902	19,688	(12,786)
U.S. Department of Homeland Security						
Domestic Preparedness Grant						
Passed through TN District 3						
Homeland Security Grant Council	97.067		-	4,842	4,842	-
Total Federal Awards			\$ -	\$ 11,744	\$ 24,530	\$ (12,786)

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Signal Mountain, Tennessee and is presented on the modified accrual basis of accounting.

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 5,094,240	\$ 5,094,240	\$ 4,661,246	\$ (432,994)
Licenses and permits	38,475	38,475	51,298	12,823
Intergovernmental	1,217,000	1,259,820	1,706,297	446,477
Charges for services	285,231	285,231	258,830	(26,401)
Fines and forfeitures	50,000	50,000	40,029	(9,971)
Other revenue	<u>235,095</u>	<u>236,095</u>	<u>246,640</u>	<u>10,545</u>
<b>TOTAL REVENUES</b>	<u>6,920,041</u>	<u>6,963,861</u>	<u>6,964,340</u>	<u>479</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
General government				
Judicial	51,896	51,896	46,487	5,409
Administration	338,409	461,324	432,941	28,383
Finance	192,000	192,000	179,721	12,279
Building and codes	129,632	129,632	83,984	45,648
Public safety				
Police	1,175,000	1,222,000	1,001,520	220,480
Fire protection and control services	1,224,406	1,224,406	1,153,399	71,007
Highways and streets				
Public works administration	118,049	118,049	78,364	39,685
Highway and street maintenance	376,199	379,799	253,576	126,223
Sanitation				
Solid waste department	518,110	533,110	446,901	86,209
Recycling centers	62,389	62,389	58,554	3,835
Public welfare and recreation				
Recreation	542,363	583,063	510,914	72,149
Mountain Arts Community Center	149,992	153,312	146,515	6,797
Library	153,489	153,924	145,107	8,817
Maintenance shop	84,003	84,003	74,963	9,040

(Continued)

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>EXPENDITURES</b>				
<b>Capital Outlay</b>				
General government				
Judicial	\$ 3,200	\$ 3,200	\$ 3,155	\$ 45
Administration	2,000	118,875	118,460	415
Finance	2,000	2,000	-	2,000
Building and codes	2,000	-	-	-
Public safety				
Police	2,000	2,000	-	2,000
Fire protection and control services	53,000	51,000	37,612	13,388
Highways and streets				
Public works administration	2,000	2,000	-	2,000
Highway and street maintenance	7,000	7,000	5,583	1,417
Sanitation				
Solid waste department	16,000	1,000	-	1,000
Public welfare and recreation				
Recreation	115,000	83,600	17,209	66,391
Mountain Arts Community Center	70,500	-	-	-
Library	4,600	1,000	-	1,000
<b>Debt Service</b>	<u>648,221</u>	<u>815,648</u>	<u>783,615</u>	<u>32,033</u>
<b>TOTAL EXPENDITURES</b>	<u>6,043,458</u>	<u>6,436,230</u>	<u>5,578,580</u>	<u>857,650</u>
Excess (deficiency) of revenues over (under) expenditures	876,583	527,631	1,385,760	858,129
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(1,365,346)</u>	<u>(1,243,865)</u>	<u>(886,405)</u>	<u>357,460</u>
Net changes in fund balances	(488,763)	(716,234)	499,355	1,215,589
<b>Fund balances - beginning</b>	<u>6,246,630</u>	<u>6,246,630</u>	<u>6,246,630</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 5,757,867</u>	<u>\$ 5,530,396</u>	<u>\$ 6,745,985</u>	<u>\$ 1,215,589</u>

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Vehicle Replacement Fund**  
**Capital Projects**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Other revenues				
Interest earnings	\$ 2,000	\$ 2,000	\$ 572	\$ (1,428)
Sale of assets	<u>-</u>	<u>-</u>	<u>66,199</u>	<u>66,199</u>
<b>TOTAL REVENUES</b>	<u>2,000</u>	<u>2,000</u>	<u>66,771</u>	<u>64,771</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Public works				
Miscellaneous	<u>-</u>	<u>4,000</u>	<u>3,807</u>	<u>193</u>
<b>Capital Outlay</b>				
Public safety				
Vehicles	750,000	827,292	828,162	(870)
Public works				
Vehicles	326,000	426,350	420,842	5,508
Public welfare and recreation				
Vehicles	<u>29,000</u>	<u>29,000</u>	<u>-</u>	<u>29,000</u>
Total capital outlay	<u>1,105,000</u>	<u>1,282,642</u>	<u>1,249,004</u>	<u>33,638</u>
<b>TOTAL EXPENDITURES</b>	<u>1,105,000</u>	<u>1,286,642</u>	<u>1,252,811</u>	<u>33,831</u>
Excess (deficiency) of revenues over (under) expenditures	(1,103,000)	(1,284,642)	(1,186,040)	98,602
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>310,615</u>	<u>310,615</u>	<u>310,615</u>	<u>-</u>
Net changes in fund balances	(792,385)	(974,027)	(875,425)	98,602
<b>Fund balances - beginning</b>	<u>1,244,423</u>	<u>1,244,423</u>	<u>1,244,423</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 452,038</u>	<u>\$ 270,396</u>	<u>\$ 368,998</u>	<u>\$ 98,602</u>



**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Solid Waste Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services				
Sanitation charges for service	\$ 47,000	\$ 47,000	\$ 41,347	\$ (5,653)
Other revenues				
Interest earnings	95	95	109	14
Sale of materials and supplies	20,000	20,000	28,462	8,462
Miscellaneous	-	-	1,986	1,986
Total other revenues	<u>20,095</u>	<u>20,095</u>	<u>30,557</u>	<u>10,462</u>
<b>TOTAL REVENUES</b>	<u>67,095</u>	<u>67,095</u>	<u>71,904</u>	<u>4,809</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
<b>Public Works</b>				
Solid waste department				
Salaries	183,129	193,129	178,027	15,102
Payroll taxes	14,009	14,009	12,605	1,404
Fringe benefits	4,615	4,615	2,674	1,941
Pension expense	13,280	13,280	13,350	(70)
Contract services	40,000	25,000	22,115	2,885
Insurance	19,677	9,677	1,577	8,100
Landfill - hauling services	50,000	65,000	54,785	10,215
Landfill services	100,000	100,000	83,924	16,076
Miscellaneous	3,000	3,000	2,448	552
Office supplies	300	300	63	237
Operating supplies	2,350	18,350	17,838	512
Postage and printing	1,450	1,450	926	524
Repair and maintenance	24,000	39,000	26,487	12,513
Telephone and other communications	500	500	282	218
Travel and training	1,500	1,500	1,656	(156)
Vehicle expense	<u>60,300</u>	<u>44,300</u>	<u>28,144</u>	<u>16,156</u>
Total solid waste department	<u>518,110</u>	<u>533,110</u>	<u>446,901</u>	<u>86,209</u>

(Continued)

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Solid Waste Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual (Continued)**  
**Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
<b>Public Works (Continued)</b>				
Recycle center				
Salaries	\$ 8,216	\$ 8,216	\$ 8,489	\$ (273)
Payroll taxes	629	629	596	33
Fringe benefits	1,242	1,242	794	448
Pension expense	701	701	697	4
Contract services	44,200	44,200	44,112	88
Insurance	951	951	129	822
Operating supplies	1,600	1,600	1,609	(9)
Repair and maintenance	3,500	3,500	429	3,071
Telephone and other communications	600	600	522	78
Utilities	750	750	1,177	(427)
Total recycle center	<u>62,389</u>	<u>62,389</u>	<u>58,554</u>	<u>3,835</u>
<b>Capital outlay</b>				
Public works	<u>16,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
<b>TOTAL EXPENDITURES</b>	<u>596,499</u>	<u>596,499</u>	<u>505,455</u>	<u>91,044</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(529,404)</u>	<u>(529,404)</u>	<u>(433,551)</u>	<u>95,853</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	580,036	580,036	580,036	-
Transfers out	<u>(50,633)</u>	<u>(50,633)</u>	<u>(50,633)</u>	<u>-</u>
Total other financing sources (uses)	<u>529,403</u>	<u>529,403</u>	<u>529,403</u>	<u>-</u>
Net changes in fund balances	(1)	(1)	95,852	95,853
<b>Fund balances - beginning</b>	<u>127,304</u>	<u>127,304</u>	<u>127,304</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 127,303</u>	<u>\$ 127,303</u>	<u>\$ 223,156</u>	<u>\$ 95,853</u>

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Water Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual**  
**Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>OPERATING REVENUES</b>				
Water service charges	\$ 1,345,000	\$ 1,345,000	\$ 1,345,493	\$ 493
Water service penalties	24,000	24,000	25,641	1,641
Other revenue	4,000	4,000	7,101	3,101
Total operating revenues	<u>1,373,000</u>	<u>1,373,000</u>	<u>1,378,235</u>	<u>5,235</u>
<b>OPERATING EXPENSES</b>				
<b>Water purchases</b>	<u>475,000</u>	<u>475,000</u>	<u>402,430</u>	<u>72,570</u>
<b>Power and pumping</b>				
Operating supplies and expense	1,500	1,500	1,214	286
Repairs and maintenance	17,000	17,000	2,708	14,292
Telephone and other communication	2,000	2,000	1,651	349
Utilities	<u>205,000</u>	<u>205,000</u>	<u>175,736</u>	<u>29,264</u>
Total power and pumping	<u>225,500</u>	<u>225,500</u>	<u>181,309</u>	<u>44,191</u>
<b>Treatment and transmission</b>				
Miscellaneous	2,500	4,100	3,368	732
Operating supplies and expense	705,000	703,400	8,128	695,272
Professional services	70,000	70,000	17,162	52,838
Repairs and maintenance	93,488	93,488	101,306	(7,818)
Travel and training	400	400	-	400
Vehicle expense	<u>13,200</u>	<u>13,200</u>	<u>10,170</u>	<u>3,030</u>
Total treatment and transmission	<u>884,588</u>	<u>884,588</u>	<u>140,134</u>	<u>744,454</u>
<b>Maintenance</b>				
Salaries	192,968	192,968	181,943	11,025
Payroll taxes	14,762	14,762	15,450	(688)
Fringe benefits	37,257	37,257	27,439	9,818
Pension expense	16,460	16,460	4,671	11,789
Insurance	12,695	12,695	135	12,560
Miscellaneous	100	2,600	2,480	120
Operating supplies and expense	71,540	39,040	17,037	22,003
Repairs and maintenance	6,000	6,000	1,306	4,694
Telephone and other communication	2,000	2,000	1,764	236
Travel and training	1,000	1,000	-	1,000
Utilities	100,280	100,280	13,142	87,138
Vehicle expense	<u>3,000</u>	<u>3,000</u>	<u>1,273</u>	<u>1,727</u>
Total maintenance	<u>458,062</u>	<u>428,062</u>	<u>266,640</u>	<u>161,422</u>

(Continued)

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Water Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual (Continued)**  
**Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>OPERATING EXPENSES (Continued)</b>				
<b>Administration</b>				
Salaries	\$ 54,130	\$ 54,130	\$ 42,548	\$ 11,582
Payroll taxes	4,141	4,141	3,232	909
Fringe benefits	10,827	23,827	17,886	5,941
Pension expense	4,617	4,617	1,025	3,592
Contract services	-	-	14,198	(14,198)
In lieu of taxes	27,000	27,000	29,390	(2,390)
Insurance	13,247	13,247	3,179	10,068
Miscellaneous	3,250	3,250	2,781	469
Office supplies and expense	2,000	2,000	2,277	(277)
Operating supplies and expense	3,500	3,500	3,671	(171)
Postage and printing	7,600	7,600	7,405	195
Professional services	500	500	-	500
Telephone and other communication	2,500	2,500	1,320	1,180
Travel and training	1,500	1,500	-	1,500
Total administration	<u>134,812</u>	<u>147,812</u>	<u>128,912</u>	<u>18,900</u>
<b>Depreciation</b>	<u>180,000</u>	<u>180,000</u>	<u>163,377</u>	<u>16,623</u>
Total operating expenses	<u>2,357,962</u>	<u>2,340,962</u>	<u>1,282,802</u>	<u>1,058,160</u>
Operating income (loss)	<u>(984,962)</u>	<u>(967,962)</u>	<u>95,433</u>	<u>1,063,395</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest earnings	5,500	5,500	5,428	(72)
Amortization expense	<u>(2,961)</u>	<u>(2,961)</u>	<u>(2,961)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>2,539</u>	<u>2,539</u>	<u>2,467</u>	<u>(72)</u>
Changes in net position	(982,423)	(965,423)	97,900	1,063,323
Net position - beginning (see note 17)	<u>6,283,804</u>	<u>6,283,804</u>	<u>6,283,804</u>	<u>-</u>
Net position - end	<u>\$ 5,301,381</u>	<u>\$ 5,318,381</u>	<u>\$ 6,381,704</u>	<u>\$ 1,063,323</u>

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Stormwater Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual**  
**Year Ended June 30, 2015**

	<b>Budgeted Amount</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>OPERATING REVENUES</b>				
Stormwater user fees	\$ 246,046	\$ 246,046	\$ 292,907	\$ 46,861
<b>OPERATING EXPENSES</b>				
<b>Stormwater operations</b>				
Salaries	114,775	114,775	101,478	13,297
Payroll taxes	8,780	8,780	7,164	1,616
Fringe benefits	19,048	19,048	12,077	6,971
Pension expense	9,790	9,790	2,848	6,942
Contract services	7,000	7,000	6,930	70
Insurance	7,644	7,644	515	7,129
Miscellaneous	1,000	1,000	95	905
Office supplies and expense	2,400	2,400	688	1,712
Operating supplies and expense	15,100	45,757	5,227	40,530
Permit fee	4,000	4,000	3,960	40
Postage and printing	5,000	5,000	1,484	3,516
Professional services	20,000	20,000	5,350	14,650
Repairs and maintenance	102,000	98,000	9,938	88,062
Telephone and other communication	700	700	676	24
Travel and training	3,500	3,500	2,196	1,304
Utilities	1,000	1,000	158	842
Vehicle expense	2,650	2,650	1,627	1,023
Total stormwater operations	324,387	351,044	162,411	188,633
<b>Depreciation</b>	39,000	39,000	23,477	15,523
Total operating expenses	363,387	390,044	185,888	204,156
Operating income (loss)	(117,341)	(143,998)	107,019	251,017
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest earnings	220	220	257	37
Changes in net position	(117,121)	(143,778)	107,276	251,054
<b>Net position - beginning (see note 17)</b>	671,385	671,385	671,385	-
<b>Net position - end</b>	\$ 554,264	\$ 527,607	\$ 778,661	\$ 251,054

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**General Fund**  
**Schedule of Property Taxes Receivable**  
**June 30, 2015**

<u>Year of Levy</u>	
2015	\$ 4,280,200
2014	62,992
2013	50,562
2012	27,588
2011	17,172
2010	13,493
2009	14,387
2008	1,127
2007	671
2006	<u>645</u>
Total property taxes receivable	4,468,837
Less: allowance for uncollectible taxes	<u>(143,400)</u>
Property taxes receivable - net	<u>\$ 4,325,437</u>

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**General Fund**  
**Schedule of Changes in Property Taxes Receivable**  
**June 30, 2015**

<u>Year of Levy</u>	<u>Taxes Receivable July 1, 2014</u>	<u>Taxes Levied</u>	<u>Pickups</u>	<u>Discounts and Releases</u>	<u>Collections</u>	<u>Taxes Receivable July 1, 2015</u>
2015	\$ -	\$ 4,280,200	\$ -	\$ -	\$ -	\$ 4,280,200
2014	4,185,878	291,029	(1) 6,865	(21,556)	(4,399,224)	62,992
2013	77,919	-	-	-	(27,357)	50,562
2012	38,584	-	-	-	(10,996)	27,588
2011	20,866	-	-	-	(3,694)	17,172
2010	13,493	-	-	-	-	13,493
2009	14,387	-	-	-	-	14,387
2008	1,132	-	-	-	(5)	1,127
2007	671	-	-	-	-	671
2006	645	-	-	-	-	645
2005	666	-	-	(666)	-	-
	<u>\$ 4,354,241</u>	<u>\$ 4,571,229</u>	<u>\$ 6,865</u>	<u>\$ (22,222)</u>	<u>\$ (4,441,276)</u>	<u>\$ 4,468,837</u>

(1) 2014 Stormwater fees

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Governmental Funds**  
**Schedule of Debt Service Requirements**  
**June 30, 2015**

**CAPITAL OUTLAY NOTE - SERIES 2007**

Maturing June 30,	Principal	Interest	Total Requirements
2016	\$ 332,000	\$ 8,774	\$ 340,774
2017	346,000	5,334	351,334
2018	<u>168,948</u>	<u>1,750</u>	<u>170,698</u>
Total	<u>\$ 846,948</u>	<u>\$ 15,858</u>	<u>\$ 862,806</u>



**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Insurance Coverage**  
**June 30, 2015**

<u>Coverage</u>	<u>Amount</u>
Buildings and personal property (except Country Club)	\$16,204,636
Commercial package, Country Club	\$1,000,000** per occurrence
Comprehensive general liability	State Tort Limits* and \$1,000,000 non-state torts
Automobile liability	State Tort Limits* and \$1,000,000 non-state torts
Errors or omissions	\$1,000,000 per occurrence
Workers compensation	\$300,000 each accident \$300,000 each employee \$700,000 policy limit

\*State Tort Limits: \$300,000 per person  
\$700,000 per occurrence  
\$300,000 per property

\*\*Coverage is provided by lessee.

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Schedule of Property Taxes Levied and Property Tax Collections - Last Ten Years**  
**Years Ended June 30, 2005 to 2014**

Year of Levy	Tax Rate Per \$100	Total Tax Levy	Collections of Current Levy		Percent of Current Collections to Levy	Collections of Prior Years Levy		Total Collections During Period	Percent of Total Collections to Current Year Levy	Discounts and Adjustments During Period	Accumulated Delinquent Property Taxes	Percent of Delinquent Property Taxes to Current Year Levy
			During Period			During Period						
2014	\$ 1.568	\$ 4,476,907	\$ 4,399,224		98.3%	\$ 42,052		\$ 4,441,276	99.2%	\$ (15,357)	\$ 188,637	4.2%
2013	\$ 1.568	\$ 4,332,349	\$ 4,263,244		98.4%	\$ 49,669		\$ 4,312,913	99.6%	\$ 7,903	\$ 168,363	3.9%
2012	\$ 1.663	\$ 3,892,170	\$ 3,839,984		98.7%	\$ 41,599		\$ 3,881,583	99.7%	\$ 24,728	\$ 141,024	3.6%
2011	\$ 1.663	\$ 3,868,646	\$ 3,810,546		98.5%	\$ 68,814		\$ 3,879,360	100.3%	\$ 8,258	\$ 105,709	2.7%
2010	\$ 1.513	\$ 3,291,387	\$ 3,217,605		97.8%	\$ 57,318		\$ 3,274,923	99.5%	\$ 4,347	\$ 108,165	3.3%
2009	\$ 1.513	\$ 3,261,519	\$ 3,198,769		98.1%	\$ 49,776		\$ 3,248,545	99.6%	\$ 2,260	\$ 87,354	2.7%
2008	\$ 1.775	\$ 3,271,540	\$ 3,210,245		98.1%	\$ 36,841		\$ 3,247,086	99.3%	\$ (837)	\$ 72,120	2.2%
2007	\$ 1.775	\$ 3,214,431	\$ 3,174,643		98.7%	\$ 37,656		\$ 3,212,299	99.9%	\$ (448)	\$ 45,609	1.4%
2006	\$ 1.775	\$ 3,163,006	\$ 3,129,907		99.0%	\$ 30,324		\$ 3,160,231	99.9%	\$ (276)	\$ 44,068	1.4%
2005	\$ 1.425	\$ 2,487,358	\$ 2,449,916		98.4%	\$ 21,709		\$ 2,471,625	99.4%	\$ 1,490	\$ 41,571	1.7%


**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Tax Rates and Assessed Valuation**  
**Applicable to the Last Ten Years**  
**June 30, 2015**

<u>Year of Levy</u>	<u>Tax Rate Per \$100</u>	<u>Assessed Valuation</u>			<u>Total</u>
		<u>Property</u>	<u>Personalty</u>	<u>Utilities</u>	
2015	\$ 1.5684	\$ 263,185,609	\$ 2,028,821	\$ 6,554,450	\$ 271,768,880
2014	\$ 1.5684	\$ 257,035,529	\$ 2,756,475	\$ 7,096,404	\$ 266,888,408
2013	\$ 1.5684	\$ 250,046,071	\$ 2,594,349	\$ 6,535,323	\$ 259,175,743
2012	\$ 1.6634	\$ 211,123,969	\$ 2,182,988	\$ 4,629,073	\$ 217,936,030
2011	\$ 1.6634	\$ 210,382,081	\$ 1,962,334	\$ 4,508,837	\$ 216,853,252
2010	\$ 1.513	\$ 210,504,031	\$ 1,817,713	\$ 5,218,705	\$ 217,540,449
2009	\$ 1.513	\$ 208,030,369	\$ 1,722,362	\$ 5,813,636	\$ 215,566,367
2008	\$ 1.775	\$ 177,056,715	\$ 1,834,834	\$ 5,420,563	\$ 184,312,112
2007	\$ 1.775	\$ 173,960,345	\$ 1,665,321	\$ 5,469,175	\$ 181,094,841
2006	\$ 1.775	\$ 170,955,575	\$ 1,772,676	\$ 5,469,175	\$ 178,197,426

NOTE: On July 1, 2014, the Town of Signal Mountain approved the levy for the year ended June 30, 2015. The tax rate adopted for each \$100 of assessed valuation for the 2014 levy was \$1.5684.

On July 1, 2015, the Town of Signal Mountain approved the levy for the year ended June 30, 2016, for the residents on record as of January 1, 2014. The 2014 levy was recorded as a receivable and deferred revenue for the year ended June 30, 2015.

TOWN OF SIGNAL MOUNTAIN, TENNESSEE  
Schedule of Unaccounted for Water  
June 30, 2015



## AWWA Free Water Audit Software: Reporting Worksheet

WAS v6.0  
American Water Works Association  
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[Click to access definition](#)

[Click to add a comment](#)

**Water Audit Report for:** Town of Signal Mountain (0000634)

**Reporting Year:** 2015 7/2014 - 6/2015

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

----- Enter grading in column 'E' and 'J' ----->

Volume from own sources:	+	?	7	270.529	MG/Yr
Water imported:	+	?	9	270.529	MG/Yr
Water exported:	+	?	?		MG/Yr

**WATER SUPPLIED:** 270.529 MG/Yr

### Master Meter and Supply Error Adjustments

Pcnt:	+	?	?		MG/Yr
Value:	+	?	?		MG/Yr

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

---

### AUTHORIZED CONSUMPTION

Billed metered:	+	?	7	204.346	MG/Yr
Billed unmetered:	+	?	?		MG/Yr
Unbilled metered:	+	?	5	0.001	MG/Yr
Unbilled unmetered:	+	?	10	3.382	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

**AUTHORIZED CONSUMPTION:** 207.729 MG/Yr

Click here: ? for help using option buttons below

Use buttons to select percentage of water supplied OR value

Pcnt:	+	?	?		MG/Yr
Value:	+	?	?	3.382	MG/Yr

---

### WATER LOSSES (Water Supplied - Authorized Consumption)

62.800 MG/Yr

### Apparent Losses

Unauthorized consumption:	+	?	7	0.676	MG/Yr
Customer metering inaccuracies:	+	?	7	10.755	MG/Yr
Systematic data handling errors:	+	?	10	0.001	MG/Yr

**Apparent Losses:** 11.432 MG/Yr

---

### Real Losses (Current Annual Real Losses or CARL)

**Real Losses = Water Losses - Apparent Losses:** 51.368 MG/Yr

**WATER LOSSES:** 62.800 MG/Yr

---

### NON-REVENUE WATER

**NON-REVENUE WATER:** 66.183 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

---

### SYSTEM DATA

Length of mains:	+	?	7	67.0	miles
Number of active AND inactive service connections:	+	?	7	3.362	
Service connection density:	+	?	?	50	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: 150.0 psi

---

### COST DATA

Total annual cost of operating water system:	+	?	10	\$1,285,641	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+	?	9	\$6.57	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+	?	10	\$2,137.17	\$/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: Unbilled metered

2: Water imported

3: Billed metered

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Schedule of Unaccounted for Water (Continued)**  
**June 30, 2015**

<b>AWWA Free Water Audit Software:</b>		WAS v5.0
<b>Audit Report for:</b>	Name of City / Utility: (PWSID / Other ID: )	
<b>Reporting Year:</b>	<div style="display: flex; justify-content: space-between;"> <span>2015</span> <span>7/2014 - 6/2015</span> </div>	
<b>*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 10 out of 100 ***</b>		
<b><u>System Attributes:</u></b>		
Apparent Losses:	11,432 MG/Yr	
+	Real Losses:	51,368 MG/Yr
=	<b>Water Losses:</b>	62,800 MG/Yr
Unavoidable Annual Real Losses (UARL):	47,460 MG/Yr	
Annual cost of Apparent Losses:	\$75,109	
Annual cost of Real Losses:	\$109,782	
	Valued at <b>Variable Production Cost</b> <small>Return to Reporting Worksheet to change this assumption</small>	
<b><u>Performance Indicators:</u></b>		
Non-revenue water as percent by volume of Water Supplied:	24.5%	
Non-revenue water as percent by cost of operating system:	14.9% Real Losses valued at Variable Production Cost	
Apparent Losses per service connection per day:	9.32 gallons/connection/day	
Real Losses per service connection per day:	41.86 gallons/connection/day	
Real Losses per length of main per day*:	N/A	
Real Losses per service connection per day per meter (head) pressure:	0.28 gallons/connection/day/psi	
<b>From Above, Real Losses = Current Annual Real Losses (CARL):</b>		
	51,370 million gallons/year	
<b>Infrastructure Leakage Index (ILI) [CARL/UARL]:</b>		
	1.08	
<small>* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline.</small>		

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Miscellaneous Supplementary Information**  
**June 30, 2015**

Date of incorporation and charter adoption	April 4, 1919
Form of government, effective May 21, 1990	Town Manager-Mayor and Council Members
Area, square miles, approximate	8.39
Moody's Issuer Rating	Aa3

**POPULATION**

2013 State Official Census	8,363
2000 U.S. Census	7,429
1980 U.S. Census	5,818
1950 U.S. Census	1,786
1930 U.S. Census	979
1919 Incorporation	Est. 553

**BUILDING PERMITS**

Number of permits issued	352
Value of permits issued	\$11,575,161

**FIRE PROTECTION**

Number of stations	1
Number of employees	19
Number of trucks	4

**POLICE PROTECTION**

Number of employees	17
Vehicular patrol units	18
Signalized street intersections	1

**PUBLIC WORKS**

Miles of Town maintained streets	66.36
Number of solid waste customers (households)	2,968
Recycle materials (tons)	73.95

**RECREATION**

Number of playgrounds	5
Number of parks	37
Number of swimming pools	1

**WATER FACILITIES**

Number of customers	3,265
Storage capacity (gallons)	2,000,000

**Current water rates are as follows:**

**Inside Town Limits**

First 12,000 gallons per quarter	\$ 60.59
Over 12,000 gallons per quarter, each 1,000 gallons	\$ 5.78

**Outside Town Limits**

First 12,000 gallons per quarter	\$ 78.09
Over 12,000 gallons per quarter, each 1,000 gallons	\$ 7.19

### **III. INTERNAL CONTROL AND COMPLIANCE SECTION**

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Public Accountants

Paul Johnson, III, CPA

Brian T. Wright, CPA

Karen Hutcherson, CPA

Marianne Greene, CPA

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

To the Mayor and Town Council  
Town of Signal Mountain, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Signal Mountain, Tennessee as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Signal Mountain, Tennessee's basic financial statements and have issued our report thereon dated December 11, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Signal Mountain, 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Signal Mountain, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Signal Mountain, Tennessee's internal control.

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

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

*Johnson, Murphree & Wright, P.C.*

Chattanooga, Tennessee  
December 11, 2015

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Schedule of Findings and Responses**  
**June 30, 2015**

**SUMMARY OF AUDIT RESULTS**

**Opinion:**

Unqualified opinion issued on the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America.

**Internal Control Deficiencies:**

None disclosed.

**Material Noncompliance:**

None disclosed.

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Schedule of Prior Audit Findings**  
**June 30, 2015**

**INTERNAL CONTROL:**

**Finding 2014-001 - Cash Receipts**

Corrected.