



ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

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

I. INTRODUCTORY SECTION

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Table of Contents
June 30, 2016

	Page
I. INTRODUCTORY SECTION	
Table of Contents	i-ii
Roster of Board Members and Management	iii
II. FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management Discussion and Analysis	4-15
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Governmental Funds	
Balance Sheet	18
Reconciliation of the Governmental Funds Balance Sheet to the	
Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statements of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual - General Fund	22-32
Statement of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual - State Street Aid Fund	33
Proprietary Funds	
Statement of Net Position	34
Statement of Revenues, Expenses and Changes in Net Position	35
Statement of Cash Flows	36
Notes to Financial Statements	37-59
Required Supplemental Information Other Than MD&A	
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	60
Schedule of Signal Mountain's Contributions Based on Participation in the Public	
Employee Pension Plan of TCRS	61-62
Other Supplementary Information	
Non-Major Governmental Fund	63
Combining Balance Sheet	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	65
Drug Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual	66
Vehicle Replacement Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual	67

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Table of Contents (Continued)
June 30, 2016

II. FINANCIAL SECTION (Continued)

Other Supplementary Information (Continued)

Financial Schedules

Schedule of Expenditures of Federal Awards	68
Notes to the Schedule of Federal Awards	69
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - General Fund	70-71
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Building Construction Fund	72
Schedule of Revenues, Expenses and Change in Net Position - Budget and Actual - Water Fund	73-74
Schedule of Revenues, Expenses and Change in Net Position - Budget and Actual - Stormwater Fund	75
Schedule of Property Taxes Receivable - General Fund	76
Schedule of Changes in Property Taxes Receivable - General Fund	77
Schedule of Debt Service Requirements - Governmental Funds	78
Insurance Coverage	79
Tax Rates and Assessed Valuation Applicable to Last Ten Years	80
Schedule of Property Taxes Levied and Property Tax Collections - Last Ten Years	81
Schedule of Unaccounted for Water	82-83
Miscellaneous Supplementary Information	84

III. INTERNAL CONTROL AND COMPLIANCE SECTION

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 <i>Government Auditing Standards</i>	85-86
Schedule of Findings and Responses	87-88
Schedule of Prior Audit Findings	89

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Roster of Board Members and Management
June 30, 2016

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

II. FINANCIAL SECTION



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Karen Hutcherson, CPA

Marianne Greene, CPA

INDEPENDENT AUDITOR'S REPORT

Mayor and Town Council
Town of Signal Mountain, Tennessee

Report on the Financial Statements

We have audited the accompanying 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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2016, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and State Street Aid 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 5, 2016, 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.

Chattanooga, Tennessee
December 5, 2016

Johnson, Murphy & Wright, P.C.

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, 2016. 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, 2016, by \$20,883,433 (net position). Of this amount \$10,187,680 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors. The Town has restricted \$8,977 for the new high school, \$23,172 for drug enforcement programs, \$378,940 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 \$491,897 for the purchase of mobile assets and \$288,988 for building construction.

The Town's governmental activities operated at a surplus of \$384,539. The Town's business-type activities operated at a surplus of \$142,234.

As of the close of the current fiscal year, the Town of Signal Mountain, Tennessee's governmental funds reported combined ending fund balances of \$7,564,732.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,335,731, or 100.87%, 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 \$7,302,599. Of that balance \$4,331,712, or 59.32%, is unrestricted. The remaining 40.68%, or \$2,970,887 is invested in capital assets.

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, State Street Aid Fund and Building Construction 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 64.

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 State Street Aid 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 66 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 and Stormwater Fund, which are considered to be major funds, of the Town of Signal Mountain, Tennessee.

The basic proprietary fund financial statements can be found on pages 34 through 36 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 37 through 59 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 64 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 \$20,883,433 at the close of this fiscal year.

49.11 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 2.10%, or \$439,089, of the Town of Signal Mountain, Tennessee's net position represents resources that are subject to external restrictions on how they may be used. 48.79%, or \$10,187,680, in net position are unrestricted and can be used to meet the government's ongoing obligations.

At June 30, 2016, 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

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Capital assets	\$ 8,076,999	\$ 7,091,329	\$ 2,970,887	\$ 3,135,661	\$ 11,047,886	\$ 10,226,990
Other assets	12,098,925	12,902,450	4,845,566	4,597,321	16,944,491	17,499,771
Total assets	<u>\$ 20,175,924</u>	<u>\$ 19,993,779</u>	<u>\$ 7,816,453</u>	<u>\$ 7,732,982</u>	<u>\$ 27,992,377</u>	<u>\$ 27,726,761</u>
Deferred outflows of resources	\$ 618,782	\$ 239,903	\$ 76,479	\$ 28,817	\$ 695,261	\$ 268,720
Long-term liabilities	\$ 2,102,006	\$ 1,418,679	\$ 344,364	\$ 298,903	\$ 2,446,370	\$ 1,717,582
Other liabilities	659,222	971,957	211,501	252,546	870,723	1,224,503
Total liabilities	<u>\$ 2,761,228</u>	<u>\$ 2,390,636</u>	<u>\$ 555,865</u>	<u>\$ 551,449</u>	<u>\$ 3,317,093</u>	<u>\$ 2,942,085</u>
Deferred inflows of resources	\$ 4,452,644	\$ 4,646,751	\$ 34,468	\$ 49,985	\$ 4,487,112	\$ 4,696,736
Net investment in capital assets	\$ 7,285,777	\$ 7,091,329	\$ 2,970,887	\$ 3,135,661	\$ 10,256,664	\$ 10,226,990
Restricted	439,089	483,248	-	-	439,089	483,248
Unrestricted	5,855,968	5,621,718	4,331,712	4,024,704	10,187,680	9,646,422
Total net position	<u>\$ 13,580,834</u>	<u>\$ 13,196,295</u>	<u>\$ 7,302,599</u>	<u>\$ 7,160,365</u>	<u>\$ 20,883,433</u>	<u>\$ 20,356,660</u>

Changes in Net Position

Governmental activities increased the Town of Signal Mountain, Tennessee's net position by \$384,539.

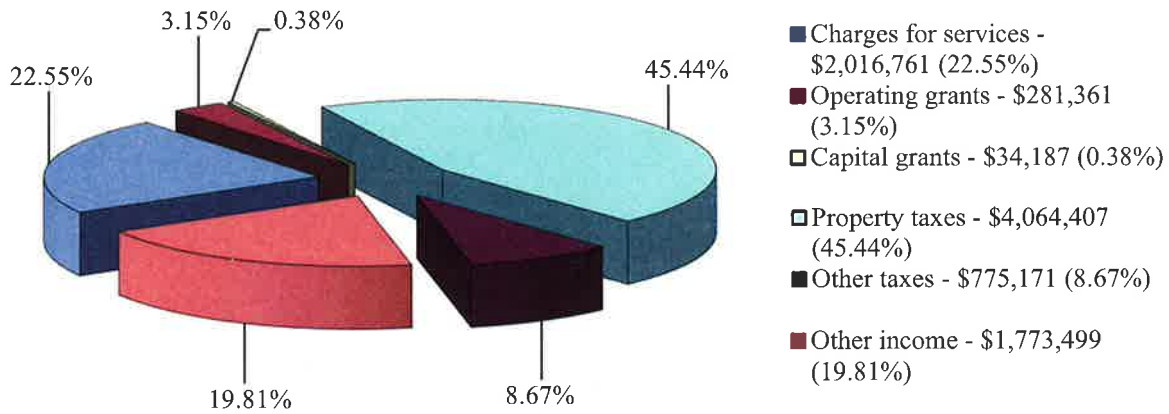
Business-type activities increased the Town of Signal Mountain, Tennessee's net position by \$142,234.

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

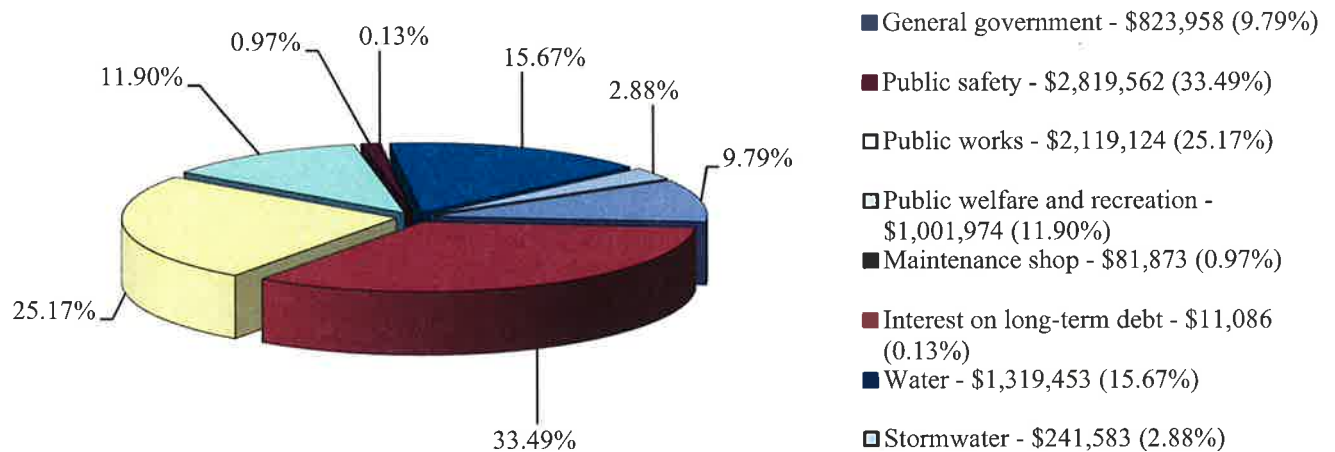
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 321,424	\$ 325,987	\$ 1,695,337	\$ 1,671,142	\$ 2,016,761	\$ 1,997,129
Operating grants and contributions	281,361	245,222	-	-	281,361	245,222
Capital grant and contributions	34,187	24,530	-	-	34,187	24,530
General revenues:						
Property taxes	4,064,407	3,998,857	-	-	4,064,407	3,998,857
Other taxes	775,171	738,944	-	-	775,171	738,944
Other income	<u>1,765,566</u>	<u>1,847,891</u>	<u>7,933</u>	<u>5,685</u>	<u>1,773,499</u>	<u>1,853,576</u>
Total revenues	<u>7,242,116</u>	<u>7,181,431</u>	<u>1,703,270</u>	<u>1,676,827</u>	<u>8,945,386</u>	<u>8,858,258</u>
Expenses:						
General government	823,958	768,160	-	-	823,958	768,160
Public safety	2,819,562	2,216,284	-	-	2,819,562	2,216,284
Public works	2,119,124	1,017,067	-	-	2,119,124	1,017,067
Public welfare and recreation	1,001,974	852,522	-	-	1,001,974	852,522
Maintenance shop	81,873	73,161	-	-	81,873	73,161
Interest on long-term debt	11,086	21,898	-	-	11,086	21,898
Water	-	-	1,319,453	1,285,763	1,319,453	1,285,763
Stormwater	-	-	<u>241,583</u>	<u>185,888</u>	<u>241,583</u>	<u>185,888</u>
Total expenses	<u>6,857,577</u>	<u>4,949,092</u>	<u>1,561,036</u>	<u>1,471,651</u>	<u>8,418,613</u>	<u>6,420,743</u>
Increase in net position	384,539	2,232,339	142,234	205,176	526,773	2,437,515
Net position - beginning	<u>13,196,295</u>	<u>10,963,956</u>	<u>7,160,365</u>	<u>6,955,189</u>	<u>20,356,660</u>	<u>17,919,145</u>
Net position - end	<u>\$ 13,580,834</u>	<u>\$ 13,196,295</u>	<u>\$ 7,302,599</u>	<u>\$ 7,160,365</u>	<u>\$ 20,883,433</u>	<u>\$ 20,356,660</u>

The graphs below summarize the \$8,945,386 of town-wide revenue by source and the associated \$8,418,613 of expense by program. The graphs combine data from both governmental and business-type activities.

Town-Wide Sources of Revenue



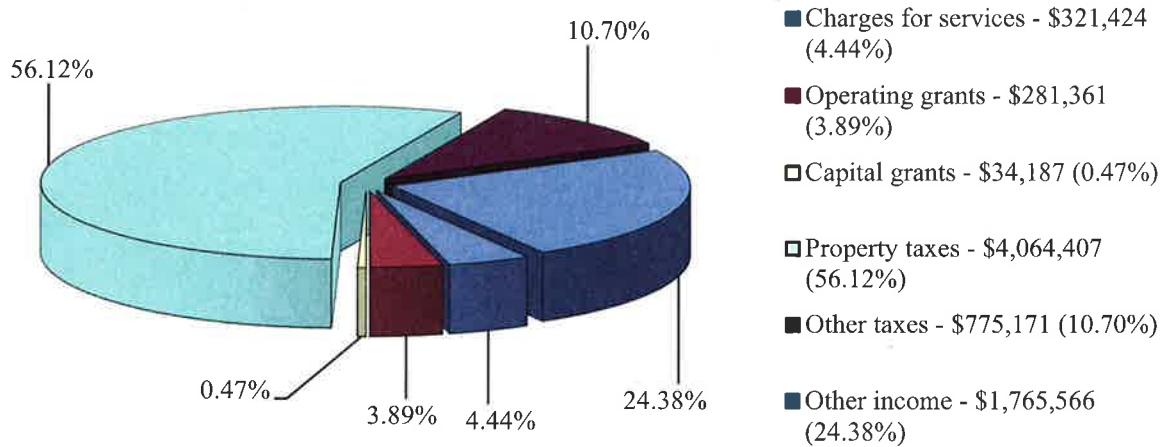
Town-Wide Program Expenses



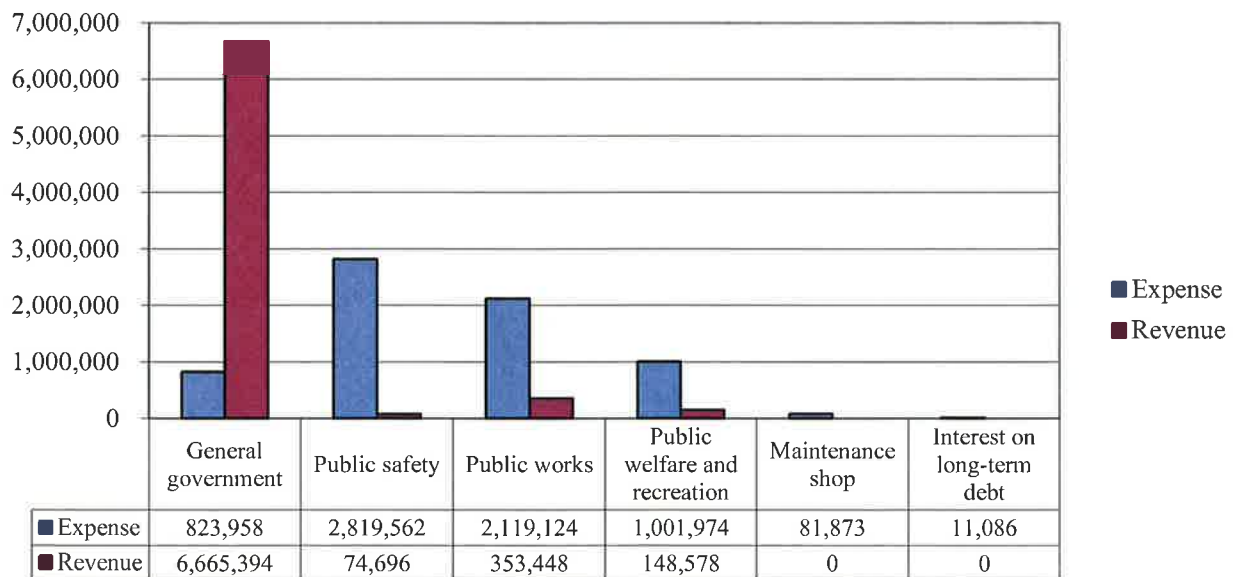
Governmental Activities

Governmental activities accounted for revenues of \$7,242,116. The following graph summarizes revenue by source.

**Revenue by Source -
Governmental Activities**

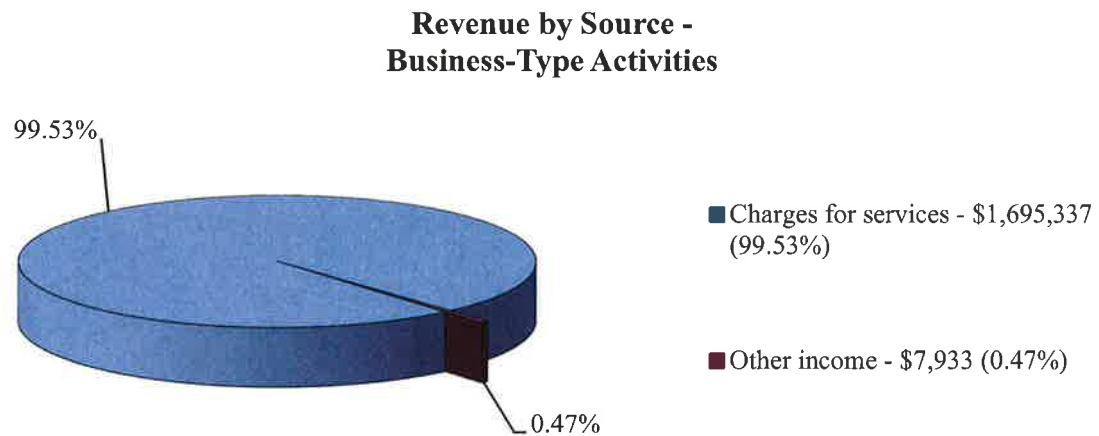


**Expenses and Program Revenues -
Governmental Activities**

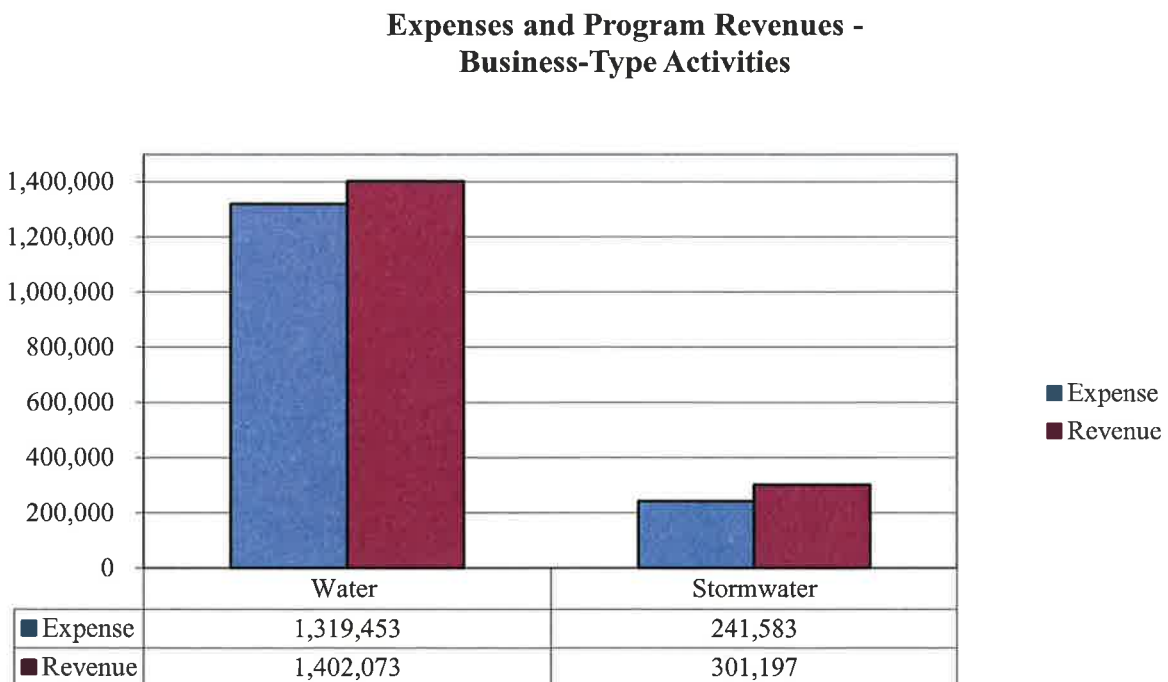


Business-type Activities

Business-type activities accounted for revenues of \$1,703,270. 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 \$7,564,732. Approximately 83.75% of this total amount, or \$6,335,731, constitutes unassigned fund balance. Committed funds consist of \$491,897 for the purchase of mobile assets and \$288,988 for building construction. Restricted funds consist of \$8,977 for debt service payments on the new middle/high school, \$378,940 for the use of street expenditures and \$23,172 for use in investigations of drug-related violations, drug prevention programs and \$28,000 for Mountain Arts expenditures. Nonspendable funds consist of \$9,027 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 \$6,335,731. 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 100.87% 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 \$3,594,225 for the Water Fund and \$737,487 for the Stormwater Fund.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were approximately \$(671,023), and are listed below:

General Fund budgeted revenues decreased \$487,092.

General Fund budgeted expenditures increased \$129,938.

General Fund budgeted transfers out increased \$53,993.

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.

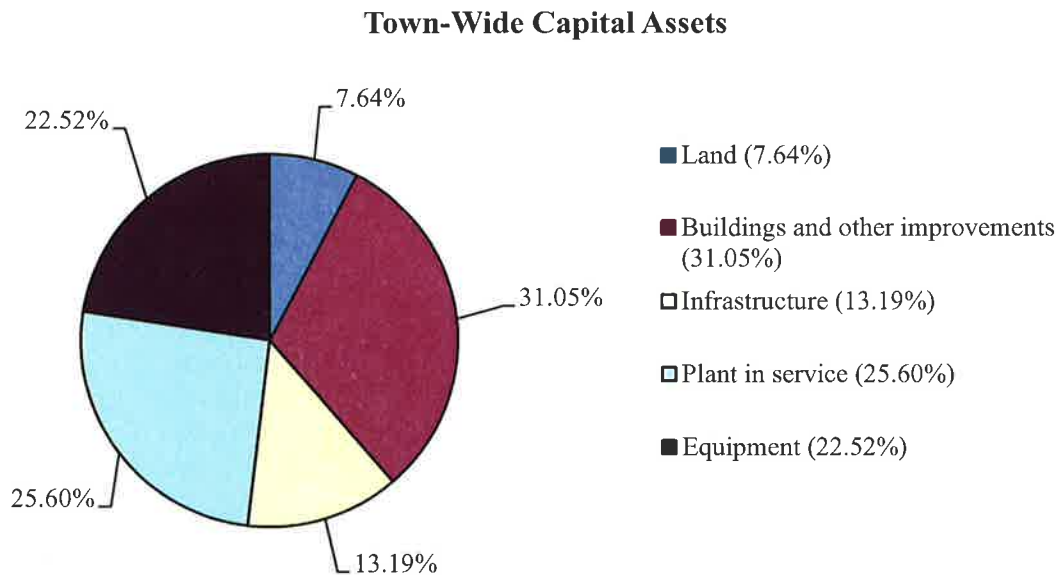
Town of Signal Mountain, Tennessee's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 844,313	\$ 844,313	\$ -	\$ 15,699	\$ 844,313	\$ 860,012
Buildings and other improvements	3,430,389	2,351,635	-	-	3,430,389	2,351,635
Infrastructure	1,456,968	1,527,025	-	-	1,456,968	1,527,025
Plant in service	-	-	2,827,993	2,938,242	2,827,993	2,938,242
Equipment	2,345,329	2,368,356	142,894	181,720	2,488,223	2,550,076
Total capital assets	\$ 8,076,999	\$ 7,091,329	\$ 2,970,887	\$ 3,135,661	\$ 11,047,886	\$10,226,990

Major capital asset events during the current fiscal year include the following:

Building - 714 Mississippi	\$ 1,056,833
20 EA SCBA Air Pack X3	\$ 119,729
Library basement	\$ 82,387
8 2016 Ford Taurus	\$ 221,885
2016 Ford F-150	\$ 28,751

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.



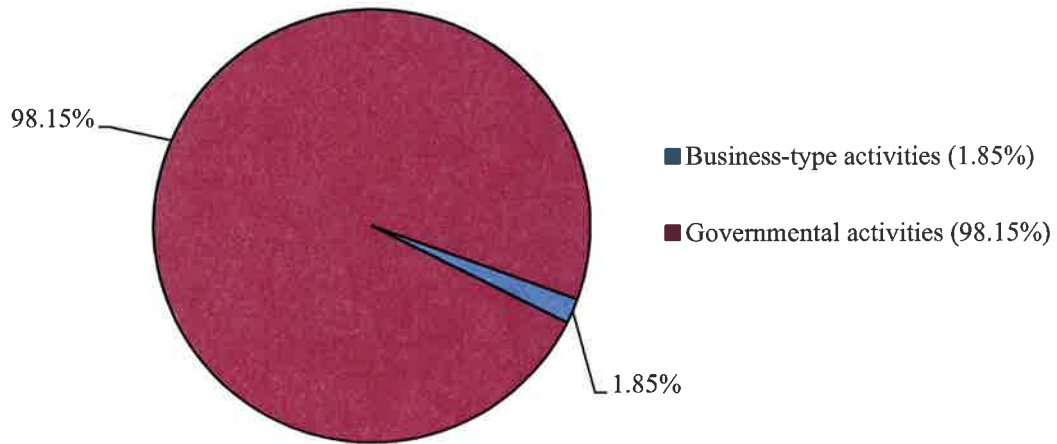
Additional information on the Town of Signal Mountain, Tennessee's capital assets can be found in Note 7 on page 47 and 48 of this report.

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 \$1,434,257; of that amount \$346,000 is due in the next fiscal year.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Capital outlay notes	\$1,231,170	\$ 846,948	\$ -	\$ -	\$1,231,170	\$ 846,948
Compensated absences	176,490	159,257	26,597	21,059	203,087	180,316
Current portion	(346,000)	(332,000)	-	-	(346,000)	(332,000)
Total long-term debt	<u>\$1,061,660</u>	<u>\$ 674,205</u>	<u>\$ 26,597</u>	<u>\$ 21,059</u>	<u>\$1,088,257</u>	<u>\$ 695,264</u>

Long-Term Debt By Activity



Additional information on outstanding debt can be found in Note 9 on pages 49 and 50.

Currently Known Conditions Affecting 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, 2016, \$439,948 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 78 of this report and is a part of the total governmental debt summary on page 49. These schedules reflect an assumed .35% interest rate. Actual interest payments may vary from those scheduled based on future market conditions.

As of June 30, 2016, \$8,977 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 2016, 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 acquisition of all property real and personal appurtenant thereto. This debt is a part of the total governmental debt summary on page 49. Costs associated with the construction of a public works facility resulted in a drawdown of \$791,222 by the end of fiscal year 2015-2016.

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 in progress with completion scheduled for the winter of 2016. The Town estimates that construction costs will be \$1.8 million. In addition, the Town expects to begin construction of a new fire station in the spring of 2017. The construction costs are estimated to be \$2.0 million. \$440,790 of the Capital Projects Fund has been assigned by the Council from the General Fund for costs associated with the fire station construction. However, the Town is currently evaluating the pros and cons of financing the full amount of the project.

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, 2016

	Primary Government			Component Unit
	Governmental	Business-type	Total	Public Library
	Activities	Activities		Board
ASSETS				
Current assets				
Cash	\$ 1,921,954	\$ 1,827,449	\$ 3,749,403	\$ 20,012
Investments	4,922,992	2,467,653	7,390,645	-
Property taxes - net	4,246,030	-	4,246,030	-
Receivable - net	30,561	450,715	481,276	-
Due from other governments	958,151	-	958,151	-
Internal balance	1,233	(1,233)	-	-
Inventories	9,027	90,127	99,154	-
Total current assets	<u>12,089,948</u>	<u>4,834,711</u>	<u>16,924,659</u>	<u>20,012</u>
Non-current assets				
Other assets				
Investments - restricted	8,977	-	8,977	-
Customer lists - Walden's Ridge - net	-	10,855	10,855	-
Total other assets	<u>8,977</u>	<u>10,855</u>	<u>19,832</u>	<u>-</u>
Capital assets				
Land and construction in progress	844,313	-	844,313	-
Other capital assets - net of depreciation	<u>7,232,686</u>	<u>2,970,887</u>	<u>10,203,573</u>	<u>-</u>
Total capital assets	<u>8,076,999</u>	<u>2,970,887</u>	<u>11,047,886</u>	<u>-</u>
Total non-current assets	<u>8,085,976</u>	<u>2,981,742</u>	<u>11,067,718</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 20,175,924</u>	<u>\$ 7,816,453</u>	<u>\$ 27,992,377</u>	<u>\$ 20,012</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	<u>\$ 618,782</u>	<u>\$ 76,479</u>	<u>\$ 695,261</u>	<u>\$ -</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 215,444	\$ 205,943	\$ 421,387	\$ -
Payable to pension	35,269	-	35,269	-
Accrued liabilities	62,509	5,558	68,067	-
Notes payable - due in one year	<u>346,000</u>	<u>-</u>	<u>346,000</u>	<u>-</u>
Total current liabilities	<u>659,222</u>	<u>211,501</u>	<u>870,723</u>	<u>-</u>
Non-current liabilities				
Customer deposits	-	189,185	189,185	-
Notes payable	885,170	-	885,170	-
Compensated absences payable	176,490	26,597	203,087	-
Net pension liability	<u>1,040,346</u>	<u>128,582</u>	<u>1,168,928</u>	<u>-</u>
Total non-current liabilities	<u>2,102,006</u>	<u>344,364</u>	<u>2,446,370</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 2,761,228</u>	<u>\$ 555,865</u>	<u>\$ 3,317,093</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	\$ 278,878	\$ 34,468	\$ 313,346	\$ -
Deferred revenue - property taxes	4,173,766	-	4,173,766	-
Total deferred inflows of resources	<u>\$ 4,452,644</u>	<u>\$ 34,468</u>	<u>\$ 4,487,112</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 7,285,777	\$ 2,970,887	\$ 10,256,664	\$ -
Restricted for Mountain Arts	28,000	-	28,000	-
Restricted for debt service	8,977	-	8,977	-
Restricted for drug enforcement program	23,172	-	23,172	-
Restricted for state street aid	378,940	-	378,940	-
Unrestricted	<u>5,855,968</u>	<u>4,331,712</u>	<u>10,187,680</u>	<u>20,012</u>
TOTAL NET POSITION	<u>\$ 13,580,834</u>	<u>\$ 7,302,599</u>	<u>\$ 20,883,433</u>	<u>\$ 20,012</u>

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE

**Statement of Activities
Year Ended June 30, 2016**

					Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
					Governmental Activities	Business- Type Activities	Total	
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions				
Primary Government								
Governmental activities:								
General government								
Judicial	\$ 461,020	\$ -	\$ -	\$ -	\$ (461,020)	\$ -	\$ (461,020)	\$ -
Financial administration	234,572	-	-	-	(234,572)	-	(234,572)	-
Building inspection	128,366	60,250	-	-	(68,116)	-	(68,116)	-
Public safety								
Police department	1,320,824	52,722	21,974	-	(1,246,128)	-	(1,246,128)	-
Fire department	1,498,738	-	-	-	(1,498,738)	-	(1,498,738)	-
Highway and streets								
Public works administration	94,257	-	-	-	(94,257)	-	(94,257)	-
Highway and street maintenance	1,409,995	-	258,636	34,187	(1,117,172)	-	(1,117,172)	-
Sanitation								
Solid waste department	541,676	46,689	-	-	(494,987)	-	(494,987)	-
Recycle center	73,196	13,936	-	-	(59,260)	-	(59,260)	-
Public welfare and recreation								
Recreation	648,291	97,562	-	-	(550,729)	-	(550,729)	-
Mountain Arts Community Center	200,527	40,650	751	-	(159,126)	-	(159,126)	-
Library	153,156	9,615	-	-	(143,541)	-	(143,541)	-
Maintenance shop	81,873	-	-	-	(81,873)	-	(81,873)	-
Interest on long-term debt	11,086	-	-	-	(11,086)	-	(11,086)	-
Total governmental activities	6,857,577	321,424	281,361	34,187	(6,220,605)	-	(6,220,605)	-
Business-type activities:								
Water	1,319,453	1,394,482	-	-	-	75,029	75,029	-
Stormwater	241,583	300,855	-	-	-	59,272	59,272	-
Total business-type activities	1,561,036	1,695,337	-	-	-	134,301	134,301	-
Total primary government	\$ 8,418,613	\$ 2,016,761	\$ 281,361	\$ 34,187	(6,220,605)	134,301	(6,086,304)	-
Component Unit								
Library Board	\$ 11,835	\$ 7,463	\$ -	\$ -	-	-	-	(4,372)
General Revenues:								
Property taxes, interest and penalty					4,064,407	-	4,064,407	-
Public utilities taxes					133,566	-	133,566	-
Sales taxes					371,791	-	371,791	-
Franchise tax					151,781	-	151,781	-
Business taxes					50,298	-	50,298	-
Alcoholic beverages taxes					67,735	-	67,735	-
Grants and contributions not restricted to specific programs					1,550,609	-	1,550,609	-
Investment income					14,376	7,933	22,309	-
Rent on land					57,255	-	57,255	-
Miscellaneous					143,326	-	143,326	-
Total general revenues					6,605,144	7,933	6,613,077	-
Change in net position					384,539	142,234	526,773	(4,372)
Net position - beginning					13,196,295	7,160,365	20,356,660	24,384
Net position - end					\$ 13,580,834	\$ 7,302,599	\$ 20,883,433	\$ 20,012

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Governmental Funds
Balance Sheet
June 30, 2016

	General Fund	Special Revenue State Street Aid Fund	Capital Projects Building Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 937,134	\$ 80,826	\$ 443,721	\$ 460,273	\$ 1,921,954
Investments	4,663,983	256,417	-	2,592	4,922,992
Investments - restricted	8,977	-	-	-	8,977
Property taxes - net	4,246,030	-	-	-	4,246,030
Receivable - net	30,561	-	-	-	30,561
Inventory	9,027	-	-	-	9,027
Due from other funds	1,494	-	-	56,557	58,051
Due from other governments	916,314	41,837	-	-	958,151
TOTAL ASSETS	\$10,813,520	\$ 379,080	\$ 443,721	\$ 519,422	\$ 12,155,743
LIABILITIES					
Accounts payable	\$ 56,479	\$ -	\$ 154,612	\$ 4,353	\$ 215,444
Payable to pension	35,269	-	-	-	35,269
Accrued liabilities	62,509	-	-	-	62,509
Due to other funds	56,557	140	121	-	56,818
TOTAL LIABILITIES	\$ 210,814	\$ 140	\$ 154,733	\$ 4,353	\$ 370,040
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 4,220,971	\$ -	\$ -	\$ -	\$ 4,220,971
FUND BALANCES					
Nonspendable	\$ 9,027	\$ -	\$ -	\$ -	\$ 9,027
Restricted	36,977	378,940	-	23,172	439,089
Committed	-	-	288,988	491,897	780,885
Unassigned	6,335,731	-	-	-	6,335,731
TOTAL FUND BALANCES	\$ 6,381,735	\$ 378,940	\$ 288,988	\$ 515,069	\$ 7,564,732

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, 2016

Total fund balances per governmental funds balance sheet	\$ 7,564,732
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,076,999
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.	(1,407,660)
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.	(700,442)
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>47,205</u>
Net position of governmental activities	<u>\$ 13,580,834</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, 2016

	General Fund	Special Revenue State Street Aid Fund	Capital Projects Building Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$4,654,685	\$ -	\$ -	\$ -	\$ 4,654,685
Licenses and permits	60,100	-	-	-	60,100
Intergovernmental	1,611,711	238,494	-	3,510	1,853,715
Charges for services	259,190	-	-	-	259,190
Fines and forfeitures	37,769	-	-	6,574	44,343
Other revenues	238,821	194	85,179	12,779	336,973
TOTAL REVENUES	6,862,276	238,688	85,179	22,863	7,209,006
EXPENDITURES					
Current Expenditures					
General government	808,357	-	-	-	808,357
Public safety	2,703,099	-	-	5,950	2,709,049
Public works	983,451	822,527	-	428	1,806,406
Public welfare and recreation	896,498	-	-	-	896,498
Maintenance shop	81,821	-	-	-	81,821
Capital Outlay	255,586	43,788	1,144,220	221,885	1,665,479
Debt Service	552,086	-	-	-	552,086
TOTAL EXPENDITURES	6,280,898	866,315	1,144,220	228,263	8,519,696
Excess (deficiency) of revenues over (under) expenditures	581,378	(627,627)	(1,059,041)	(205,400)	(1,310,690)
OTHER FINANCING SOURCES (USES)					
Proceeds from debt issuance	-	-	925,222	-	925,222
Bond issue	-	-	(18,000)	-	(18,000)
Transfers in	-	606,288	-	339,340	945,628
Transfers out	(945,628)	-	-	-	(945,628)
Total other financing sources (uses)	(945,628)	606,288	907,222	339,340	907,222
Net changes in fund balances	(364,250)	(21,339)	(151,819)	133,940	(403,468)
Fund balances - beginning	6,745,985	400,279	440,807	381,129	7,968,200
Fund balances - end	\$6,381,735	\$ 378,940	\$ 288,988	\$ 515,069	\$ 7,564,732

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, 2016

Net change in fund balances for total governmental funds	\$ (403,468)
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.	985,670
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	33,112
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.	541,000
Notes issued is reported as a financial resource in the governmental funds. However, this is reported as an increase in long-term liabilities in the Statement of Net Position. During the current year additional loan proceeds were drawn on notes payable.	(925,222)
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.	170,680
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>(17,233)</u>
Change in net position of governmental activities	<u>\$ 384,539</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, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes				
Property taxes	\$ 4,030,265	\$ 4,030,265	\$ 4,018,318	\$ (11,947)
Interest and penalties	7,500	7,500	12,977	5,477
Public utilities	587,092	95,000	107,398	12,398
In lieu - water fund	30,000	30,000	26,168	(3,832)
Local option sales taxes	375,000	375,000	371,791	(3,209)
Wholesale beer tax	65,000	65,000	67,735	2,735
Minimum business taxes	5,300	5,300	8,391	3,091
Gross receipts tax	36,437	36,437	41,907	5,470
Total taxes	<u>5,136,594</u>	<u>4,644,502</u>	<u>4,654,685</u>	<u>10,183</u>
License and permits				
Beer and liquor license	2,500	2,500	1,870	(630)
Building permits	40,800	40,800	57,950	17,150
Other permits	275	275	280	5
Total license and permits	<u>43,575</u>	<u>43,575</u>	<u>60,100</u>	<u>16,525</u>
Intergovernmental				
Federal grants	50,000	50,000	44,088	(5,912)
TVA replacement	95,000	95,000	98,140	3,140
Fire and police supplemental	18,000	18,000	22,200	4,200
State sales tax	610,500	610,500	677,141	66,641
State income tax and excise tax	602,500	602,500	730,805	128,305
State beer tax	4,000	4,000	4,083	83
Mixed drink tax	9,000	9,000	18,240	9,240
Streets and transportation	16,500	16,500	17,014	514
Total intergovernmental	<u>1,405,500</u>	<u>1,405,500</u>	<u>1,611,711</u>	<u>206,211</u>
Charges for services				
Sanitation charges for service	47,000	47,000	44,979	(2,021)
Police special services	7,000	7,000	8,378	1,378
Library charges	6,248	6,248	9,615	3,367
Recreation activities	103,250	103,250	97,562	(5,688)
Mountain Arts Community Center	38,900	43,900	41,401	(2,499)
Rent	74,681	74,681	57,255	(17,426)
Total charges for services	<u>277,079</u>	<u>282,079</u>	<u>259,190</u>	<u>(22,889)</u>
Fines and forfeitures				
City court revenues	<u>40,000</u>	<u>40,000</u>	<u>37,769</u>	<u>(2,231)</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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES (Continued)				
Other revenue				
Interest earnings	\$ 7,095	\$ 7,095	\$ 13,824	\$ 6,729
Insurance recovery	-	-	11,691	11,691
CATV franchise	137,000	137,000	151,781	14,781
Sale of materials and supplies	50,000	50,000	13,936	(36,064)
Miscellaneous	20,000	20,000	12,930	(7,070)
Contributions and donations	55,000	55,000	34,659	(20,341)
Total other revenue	<u>269,095</u>	<u>269,095</u>	<u>238,821</u>	<u>(30,274)</u>
TOTAL REVENUES	<u>7,171,843</u>	<u>6,684,751</u>	<u>6,862,276</u>	<u>177,525</u>
EXPENDITURES				
Current Expenditures				
General government				
Judicial				
Salaries	35,360	35,360	35,536	(176)
Payroll taxes	2,705	2,705	2,673	32
Fringe benefits	2,625	2,625	2,625	-
Pension expense	1,737	1,737	1,752	(15)
Insurance	976	976	254	722
Miscellaneous	325	325	-	325
Office supplies	700	700	784	(84)
Operating supplies	5,730	5,730	4,907	823
Postage and printing	125	125	34	91
Professional services	2,500	2,500	145	2,355
Repairs and maintenance	30	30	-	30
Telephone and other communications	300	300	218	82
Travel and training	100	100	139	(39)
Total judicial	<u>53,213</u>	<u>53,213</u>	<u>49,067</u>	<u>4,146</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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
General government (Continued)				
Administration				
Salaries	\$ 132,021	\$ 132,021	\$ 132,585	\$ (564)
Payroll taxes	10,513	10,513	10,384	129
Fringe benefits	170,422	170,422	189,377	(18,955)
Pension expense	11,722	11,722	11,640	82
Insurance	1,534	3,234	3,054	180
Miscellaneous	17,100	14,250	9,754	4,496
Office supplies	3,200	4,000	915	3,085
Operating supplies	2,274	3,474	1,210	2,264
Postage and printing	7,380	7,380	5,081	2,299
Professional services	55,500	55,500	46,608	8,892
Repairs and maintenance	1,560	1,560	482	1,078
Telephone and other communications	750	1,000	907	93
Travel and training	6,500	6,300	2,292	4,008
Utilities	5,125	6,225	5,409	816
Total administration	<u>425,601</u>	<u>427,601</u>	<u>419,698</u>	<u>7,903</u>
Finance				
Salaries	105,322	101,122	97,609	3,513
Payroll taxes	8,057	8,057	7,277	780
Fringe benefits	10,224	10,224	10,227	(3)
Pension expense	8,984	8,984	8,345	639
Insurance	1,296	2,146	1,964	182
Miscellaneous	5,750	4,900	4,211	689
Office supplies	3,500	3,500	3,642	(142)
Operating supplies	26,754	31,254	30,484	770
Postage and printing	10,020	12,620	12,319	301
Professional services	22,500	26,700	27,525	(825)
Repairs and maintenance	1,250	1,250	458	792
Telephone and other communications	500	500	218	282
Travel and training	4,500	4,500	1,595	2,905
Utilities	5,725	5,225	4,417	808
Total finance	<u>214,382</u>	<u>220,982</u>	<u>210,291</u>	<u>10,691</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, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
General government (Continued)				
Building and codes				
Salaries	\$ 82,101	\$ 82,101	\$ 83,233	\$ (1,132)
Payroll taxes	6,281	6,281	5,941	340
Fringe benefits	11,367	15,667	15,828	(161)
Pension expense	8,603	8,603	7,115	1,488
Insurance	7,888	7,888	5,644	2,244
Miscellaneous	-	-	6	(6)
Office supplies	1,000	1,000	785	215
Operating supplies	4,829	4,829	3,668	1,161
Postage and printing	3,300	3,300	3,315	(15)
Professional services	5,000	700	45	655
Repairs and maintenance	3,020	3,020	450	2,570
Telephone and other communications	1,500	2,500	1,975	525
Travel and training	3,000	2,000	602	1,398
Vehicle expense	2,000	2,000	694	1,306
Total building and codes	<u>139,889</u>	<u>139,889</u>	<u>129,301</u>	<u>10,588</u>
Total general government	<u>833,085</u>	<u>841,685</u>	<u>808,357</u>	<u>33,328</u>
Public safety				
Police				
Salaries	744,476	777,324	789,066	(11,742)
Payroll taxes	56,952	59,465	56,435	3,030
Fringe benefits	93,959	100,344	86,595	13,749
Pension expense	89,073	93,025	93,280	(255)
Animal control	10,000	10,000	10,003	(3)
Contract services	60,637	64,537	67,663	(3,126)
Insurance	63,789	64,142	58,957	5,185
Miscellaneous	700	700	695	5
Office supplies	1,500	2,500	3,205	(705)
Operating supplies	34,845	47,705	50,176	(2,471)
Postage and printing	3,300	3,300	5,223	(1,923)
Repairs and maintenance	19,080	15,180	12,253	2,927
Telephone and other communications	15,155	15,155	14,248	907
Travel and training	8,000	10,000	11,678	(1,678)
Utilities	6,200	6,200	5,478	722
Vehicle expense	47,200	44,200	27,592	16,608
Total police	<u>1,254,866</u>	<u>1,313,777</u>	<u>1,292,547</u>	<u>21,230</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, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public safety (Continued)				
Fire protection and control services				
Salaries	\$ 843,804	\$ 863,304	\$ 864,561	\$ (1,257)
Payroll taxes	64,552	64,552	62,814	1,738
Fringe benefits	140,964	140,964	135,721	5,243
Pension expense	95,493	95,493	102,942	(7,449)
Contract services	54,809	54,809	58,885	(4,076)
Insurance	49,956	49,956	48,428	1,528
Miscellaneous	10,500	10,500	7,570	2,930
Office supplies	1,200	1,200	3,684	(2,484)
Operating supplies	53,550	74,050	67,431	6,619
Postage and printing	2,450	2,450	3,454	(1,004)
Repairs and maintenance	24,430	24,430	20,600	3,830
Telephone and other communications	6,300	6,300	4,005	2,295
Travel and training	15,500	15,500	11,667	3,833
Utilities	13,400	13,400	10,466	2,934
Vehicle expense	15,000	15,000	8,324	6,676
Total fire protection and control services	<u>1,391,908</u>	<u>1,431,908</u>	<u>1,410,552</u>	<u>21,356</u>
Total public safety	<u>2,646,774</u>	<u>2,745,685</u>	<u>2,703,099</u>	<u>42,586</u>
Public works				
Public works administration				
Salaries	78,134	78,134	52,251	25,883
Payroll taxes	5,977	5,977	3,594	2,383
Fringe benefits	17,457	17,457	11,088	6,369
Pension expense	6,665	6,665	4,457	2,208
Insurance	2,183	1,883	1,794	89
Miscellaneous	500	500	368	132
Office supplies	600	600	729	(129)
Operating supplies	1,550	1,450	993	457
Postage and printing	750	1,164	1,155	9
Professional services	1,000	1,000	325	675
Repairs and maintenance	910	910	121	789
Telephone and other communications	600	600	447	153
Travel and training	2,500	2,500	1,384	1,116
Utilities	1,000	986	121	865
Vehicle expense	600	600	296	304
Total public works administration	<u>120,426</u>	<u>120,426</u>	<u>79,123</u>	<u>41,303</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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public works (Continued)				
Highway and street maintenance				
Salaries	\$ 207,663	\$ 207,663	\$ 149,888	\$ 57,775
Payroll taxes	15,886	15,886	10,205	5,681
Fringe benefits	71,956	71,956	59,185	12,771
Pension expense	17,714	17,714	12,456	5,258
Insurance	29,677	31,177	26,623	4,554
Miscellaneous	300	300	317	(17)
Office supplies	150	150	51	99
Operating supplies	8,750	23,840	23,502	338
Paving and road repair	39,550	39,550	32,908	6,642
Postage and printing	1,000	1,000	1,129	(129)
Repairs and maintenance	25,980	32,980	29,761	3,219
Telephone and other communications	2,500	2,500	1,920	580
Travel and training	2,000	2,000	2,019	(19)
Vehicle expense	28,300	22,860	20,998	1,862
Total highway and street maintenance	<u>451,426</u>	<u>469,576</u>	<u>370,962</u>	<u>98,614</u>
 Solid waste department				
Salaries	184,149	197,799	189,835	7,964
Payroll taxes	14,087	14,087	13,335	752
Fringe benefits	5,548	14,548	13,957	591
Pension expense	13,555	13,955	14,043	(88)
Contract services	40,000	40,000	31,780	8,220
Insurance	21,057	22,557	15,502	7,055
Landfill - hauling services	50,000	50,000	51,993	(1,993)
Landfill services	90,000	90,000	83,537	6,463
Miscellaneous	2,900	2,900	2,669	231
Office supplies	-	300	-	300
Operating supplies	3,030	6,930	6,286	644
Postage and printing	1,250	1,250	1,077	173
Repair and maintenance	24,310	24,310	11,814	12,496
Telephone and other communications	500	500	225	275
Travel and training	1,500	1,500	316	1,184
Vehicle expense	55,300	26,550	23,801	2,749
Total solid waste department	<u>507,186</u>	<u>507,186</u>	<u>460,170</u>	<u>47,016</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, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public works (Continued)				
Recycling centers				
Salaries	\$ 7,832	\$ 13,332	\$ 13,214	\$ 118
Payroll taxes	599	949	929	20
Fringe benefits	1,387	1,387	1,366	21
Pension expense	668	1,138	1,122	16
Contract services	45,000	38,060	44,112	(6,052)
Insurance	922	1,172	1,231	(59)
Operating supplies	1,600	1,600	1,389	211
Repair and maintenance	12,500	12,200	7,919	4,281
Telephone and other communications	600	600	510	90
Utilities	750	1,420	1,404	16
Total recycling centers	<u>71,858</u>	<u>71,858</u>	<u>73,196</u>	<u>(1,338)</u>
Total public works	<u>1,150,896</u>	<u>1,169,046</u>	<u>983,451</u>	<u>185,595</u>
Public welfare and recreation				
Mountain Arts Community Center				
Salaries	78,954	83,562	75,535	8,027
Payroll taxes	6,040	6,390	5,701	689
Fringe benefits	4,450	4,476	4,460	16
Pension expense	3,979	3,979	4,006	(27)
Contract services	1,750	1,750	534	1,216
Insurance	5,252	5,268	5,045	223
Miscellaneous	600	960	96	864
Office supplies	1,500	1,500	916	584
Operating supplies	18,900	12,400	8,842	3,558
Postage and printing	9,550	6,200	5,555	645
Professional services	4,000	26,065	26,503	(438)
Repairs and maintenance	12,300	10,300	6,727	3,573
Telephone and other communications	2,000	2,000	1,906	94
Travel and training	1,250	1,250	655	595
Utilities	22,000	20,500	20,584	(84)
Vehicle expense	50	250	27	223
Total Mountain Arts Community Center	<u>172,575</u>	<u>186,850</u>	<u>167,092</u>	<u>19,758</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public welfare and recreation (Continued)				
Recreation administration				
Salaries	\$ 53,417	\$ 53,417	\$ 51,328	\$ 2,089
Payroll taxes	4,086	4,086	3,944	142
Fringe benefits	1,028	1,028	1,018	10
Pension expense	4,556	4,556	4,393	163
Insurance	1,168	1,168	1,475	(307)
Miscellaneous	100	100	381	(281)
Office supplies	750	750	1,167	(417)
Operating supplies	-	633	633	-
Postage and printing	430	780	2,871	(2,091)
Telephone and other communications	2,000	2,000	1,623	377
Travel and training	2,500	1,517	74	1,443
Utilities	1,000	1,000	892	108
Total recreation administration	<u>71,035</u>	<u>71,035</u>	<u>69,799</u>	<u>1,236</u>
Pool				
Salaries	44,396	44,396	42,675	1,721
Payroll tax	3,396	3,396	3,265	131
Insurance	4,166	4,166	4,278	(112)
Miscellaneous	1,500	1,500	1,553	(53)
Office supplies	600	600	155	445
Operating supplies	14,400	21,400	25,357	(3,957)
Repairs and maintenance	21,000	21,000	20,294	706
Telephone and other communications	400	400	485	(85)
Utilities	29,000	29,000	27,398	1,602
Total pool	<u>118,858</u>	<u>125,858</u>	<u>125,460</u>	<u>398</u>
Concessions				
Salaries	6,200	6,200	7,113	(913)
Payroll tax	474	474	544	(70)
Insurance	362	362	83	279
Miscellaneous	-	-	145	(145)
Operating supplies	5,000	5,000	10,141	(5,141)
Total concessions	<u>12,036</u>	<u>12,036</u>	<u>18,026</u>	<u>(5,990)</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, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public welfare and recreation (Continued)				
Parks and recreation maintenance				
Salaries	\$ 77,814	\$ 77,814	\$ 74,409	\$ 3,405
Payroll taxes	5,953	5,953	5,320	633
Fringe benefits	12,966	12,966	13,035	(69)
Pension expense	4,628	4,628	4,942	(314)
Insurance	6,076	6,076	6,181	(105)
Miscellaneous	-	-	312	(312)
Operating supplies	9,100	9,100	13,913	(4,813)
Repairs and maintenance	17,740	17,740	19,309	(1,569)
Telephone and other communications	-	-	1,032	(1,032)
Utilities	4,000	4,000	3,590	410
Vehicle expense	10,000	10,000	6,654	3,346
Total parks and recreation maintenance	<u>148,277</u>	<u>148,277</u>	<u>148,697</u>	<u>(420)</u>
Tennis courts				
Insurance	1,800	1,800	1,425	375
Operating supplies	2,700	2,700	102	2,598
Repairs and maintenance	4,000	4,000	4,270	(270)
Utilities	1,000	1,000	719	281
Total tennis courts	<u>9,500</u>	<u>9,500</u>	<u>6,516</u>	<u>2,984</u>
Ballfield				
Insurance	1,175	1,175	1,282	(107)
Operating supplies	6,500	6,500	1,275	5,225
Professional services	600	6,600	5,573	1,027
Repairs and maintenance	22,500	16,500	22,311	(5,811)
Utilities	8,200	8,200	7,741	459
Total ballfield	<u>38,975</u>	<u>38,975</u>	<u>38,182</u>	<u>793</u>
Gym				
Salaries	24,513	24,513	20,545	3,968
Payroll taxes	1,875	1,875	1,507	368
Pension expense	-	-	3	(3)
Insurance	3,763	3,763	3,029	734
Operating supplies	5,800	5,800	2,328	3,472
Repairs and maintenance	6,000	6,000	3,231	2,769
Utilities	10,000	10,000	11,071	(1,071)
Total gym	<u>51,951</u>	<u>51,951</u>	<u>41,714</u>	<u>10,237</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public welfare and recreation (Continued)				
Facilities maintenance				
Salaries	\$ 31,507	\$ 31,507	\$ 32,373	\$ (866)
Payroll taxes	2,410	2,410	2,439	(29)
Fringe benefits	4,365	4,365	4,346	19
Pension expense	2,688	2,688	2,761	(73)
Professional services	-	17,000	10,842	6,158
Insurance	3,948	3,948	2,768	1,180
Miscellaneous	150	150	-	150
Office supplies	150	150	-	150
Operating supplies	13,300	15,900	6,621	9,279
Postage and printing	100	550	529	21
Repairs and maintenance	70,810	69,810	69,167	643
Telephone	500	500	352	148
Travel and training	-	-	122	(122)
Vehicle expense	1,000	1,000	486	514
Total facilities maintenance	<u>130,928</u>	<u>149,978</u>	<u>132,806</u>	<u>17,172</u>
Library				
Salaries	94,296	94,296	90,173	4,123
Payroll taxes	7,214	7,214	6,540	674
Fringe benefits	9,214	9,214	8,621	593
Pension expense	3,836	3,836	3,622	214
Insurance	3,721	3,721	2,906	815
Miscellaneous	70	70	56	14
Office supplies	3,500	3,500	3,492	8
Operating supplies	26,828	26,828	21,033	5,795
Postage and printing	2,200	2,200	1,771	429
Repairs and maintenance	2,250	2,250	1,148	1,102
Telephone and other communications	2,300	2,300	1,458	842
Travel and training	400	400	-	400
Utilities	8,350	8,350	7,386	964
Total library	<u>164,179</u>	<u>164,179</u>	<u>148,206</u>	<u>15,973</u>
Total public welfare and recreation	<u>918,314</u>	<u>958,639</u>	<u>896,498</u>	<u>62,141</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, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Maintenance shop				
Salaries	\$ 37,002	\$ 37,002	\$ 43,002	\$ (6,000)
Payroll taxes	2,831	2,831	3,039	(208)
Fringe benefits	9,133	9,133	3,218	5,915
Pension expense	3,156	3,156	3,663	(507)
Insurance	3,553	3,553	2,744	809
Miscellaneous	-	70	70	-
Office supplies	-	182	31	151
Operating supplies	4,550	9,748	5,316	4,432
Professional services	-	-	22	(22)
Repairs and maintenance	3,100	3,100	2,031	1,069
Telephone and other communications	2,300	3,050	2,280	770
Travel and training	500	500	477	23
Utilities	15,400	16,200	15,317	883
Vehicle expense	2,800	2,800	611	2,189
Total maintenance shop	<u>84,325</u>	<u>91,325</u>	<u>81,821</u>	<u>9,504</u>
Capital Outlay				
General government	41,500	34,900	28,751	6,149
Public safety	166,700	122,200	119,729	2,471
Public works	29,000	19,644	6,744	12,900
Public welfare and recreation	466,000	438,408	100,362	338,046
Total capital outlay	<u>703,200</u>	<u>615,152</u>	<u>255,586</u>	<u>359,566</u>
Debt Service				
Principal paid	466,000	541,000	541,000	-
Interest	65,450	35,450	11,086	24,364
Total debt service	<u>531,450</u>	<u>576,450</u>	<u>552,086</u>	<u>24,364</u>
TOTAL EXPENDITURES	<u>6,868,044</u>	<u>6,997,982</u>	<u>6,280,898</u>	<u>717,084</u>
Excess (deficiency) of revenues over (under) expenditures	303,799	(313,231)	581,378	894,609
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(891,635)</u>	<u>(945,628)</u>	<u>(945,628)</u>	<u>-</u>
Net changes in fund balances	(587,836)	(1,258,859)	(364,250)	894,609
Fund balances - beginning	<u>6,745,985</u>	<u>6,745,985</u>	<u>6,745,985</u>	<u>-</u>
Fund balances - end	<u>\$ 6,158,149</u>	<u>\$ 5,487,126</u>	<u>\$ 6,381,735</u>	<u>\$ 894,609</u>

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
State Street Aid Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Intergovernmental				
Grants	\$ 852,685	\$ 852,685	\$ 8,563	\$ (844,122)
Streets and transportation	200,000	200,000	229,931	29,931
Total intergovernmental	1,052,685	1,052,685	238,494	(814,191)
Other revenues				
Interest earnings	-	-	194	194
TOTAL REVENUES	1,052,685	1,052,685	238,688	(813,997)
EXPENDITURES				
Current Expenditures				
Public works				
Highways and street maintenance				
Street lighting (electricity)	18,500	20,800	20,711	89
Engineering	50,000	47,700	-	47,700
Tree removal	15,000	15,000	7,583	7,417
Repairs and maintenance	-	780,000	778,993	1,007
Miscellaneous	-	-	428	(428)
Paint and stripping	20,000	20,000	14,812	5,188
Total public works	103,500	883,500	822,527	60,973
Capital Outlay				
Public works				
Highways and street maintenance				
Street infrastructure	1,576,480	850,473	12,398	838,075
Improvements	175,000	175,000	31,390	143,610
Total public works	1,751,480	1,025,473	43,788	981,685
TOTAL EXPENDITURES	1,854,980	1,908,973	866,315	1,042,658
Excess (deficiency) of revenues over (under) expenditures	(802,295)	(856,288)	(627,627)	228,661
OTHER FINANCING SOURCE (USES)				
Transfers in	552,295	606,288	606,288	-
Net changes in fund balances	(250,000)	(250,000)	(21,339)	(228,661)
Fund balances - beginning	400,279	400,279	400,279	-
Fund balances - end	\$ 150,279	\$ 150,279	\$ 378,940	\$ 228,661

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Proprietary Funds
Statement of Net Position
June 30, 2016

	Enterprise Funds		
	Water Fund	Stormwater Fund	Totals
ASSETS			
Current assets			
Cash	\$ 1,084,623	\$ 742,826	\$ 1,827,449
Investments	2,425,951	41,702	2,467,653
Receivable - net	450,715	-	450,715
Inventories	90,127	-	90,127
Total current assets	<u>4,051,416</u>	<u>784,528</u>	<u>4,835,944</u>
Non-current assets			
Other assets			
Customer lists - Walden's Ridge - net	10,855	-	10,855
Capital assets			
Other capital assets - net of accumulated depreciation	2,870,099	100,788	2,970,887
Total capital assets	<u>2,870,099</u>	<u>100,788</u>	<u>2,970,887</u>
Total non-current assets	<u>2,880,954</u>	<u>100,788</u>	<u>2,981,742</u>
TOTAL ASSETS	<u><u>\$ 6,932,370</u></u>	<u><u>\$ 885,316</u></u>	<u><u>\$ 7,817,686</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 48,668</u>	<u>\$ 27,811</u>	<u>\$ 76,479</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 201,250	\$ 4,693	\$ 205,943
Accrued liabilities	3,145	2,413	5,558
Due to other funds	<u>1,150</u>	<u>83</u>	<u>1,233</u>
Total current liabilities	<u>205,545</u>	<u>7,189</u>	<u>212,734</u>
Non-current liabilities			
Customer deposits	189,185	-	189,185
Compensated absences payable	18,227	8,370	26,597
Net pension liability	<u>81,824</u>	<u>46,758</u>	<u>128,582</u>
Total non-current liabilities	<u>289,236</u>	<u>55,128</u>	<u>344,364</u>
TOTAL LIABILITIES	<u><u>\$ 494,781</u></u>	<u><u>\$ 62,317</u></u>	<u><u>\$ 557,098</u></u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 21,933</u>	<u>\$ 12,535</u>	<u>\$ 34,468</u>
NET POSITION			
Net investment in capital assets	\$ 2,870,099	\$ 100,788	\$ 2,970,887
Unrestricted	<u>3,594,225</u>	<u>737,487</u>	<u>4,331,712</u>
TOTAL NET POSITION	<u><u>\$ 6,464,324</u></u>	<u><u>\$ 838,275</u></u>	<u><u>\$ 7,302,599</u></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, 2016

	Enterprise Funds		
	Water Fund	Stormwater Fund	Total
OPERATING REVENUES			
Water service charges	\$ 1,354,697	\$ -	\$ 1,354,697
Stormwater user fees	-	300,855	300,855
Penalties	22,812	-	22,812
Other revenue	16,973	-	16,973
Total operating revenues	<u>1,394,482</u>	<u>300,855</u>	<u>1,695,337</u>
OPERATING EXPENSES			
Water purchases	427,050	-	427,050
Power and pumping	187,503	-	187,503
Treatment and transmission	125,605	-	125,605
Maintenance	278,926	-	278,926
Stormwater operations	-	209,411	209,411
Administration	143,007	-	143,007
Depreciation	154,401	32,172	186,573
Total operating expenses	<u>1,316,492</u>	<u>241,583</u>	<u>1,558,075</u>
Operating income	<u>77,990</u>	<u>59,272</u>	<u>137,262</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest earnings	7,591	342	7,933
Amortization expense	(2,961)	-	(2,961)
Total non-operating revenues (expenses)	<u>4,630</u>	<u>342</u>	<u>4,972</u>
Changes in net position	82,620	59,614	142,234
Net position - beginning	<u>6,381,704</u>	<u>778,661</u>	<u>7,160,365</u>
Net position - end	<u>\$ 6,464,324</u>	<u>\$ 838,275</u>	<u>\$ 7,302,599</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, 2016

	Enterprise Funds		
	Water Fund	Stormwater Fund	Totals
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,414,006	\$ 300,855	\$ 1,714,861
Payments to suppliers	(995,681)	(99,721)	(1,095,402)
Payments to employees	(211,544)	(119,963)	(331,507)
Net cash provided (used) by operating activities	<u>206,781</u>	<u>81,171</u>	<u>287,952</u>
Cash Flows from Non-capital and Related Financing Activities			
Due to/from other funds	<u>1,150</u>	<u>83</u>	<u>1,233</u>
Net cash provided (used) by non-capital financing activities	<u>1,150</u>	<u>83</u>	<u>1,233</u>
Cash Flows from Capital and Related Financing Activities			
Amortization of customer lists	(2,961)	-	(2,961)
Acquisitions and construction of capital assets	<u>-</u>	<u>(21,799)</u>	<u>(21,799)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,961)</u>	<u>(21,799)</u>	<u>(24,760)</u>
Cash Flows from Investing Activities			
(Purchase) sale of investments	(505,898)	(97)	(505,995)
Interest revenue received	<u>7,591</u>	<u>342</u>	<u>7,933</u>
Net cash provided (used) by investing activities	<u>(498,307)</u>	<u>245</u>	<u>(498,062)</u>
Net increase (decrease) in cash	(293,337)	59,700	(233,637)
Cash - beginning	<u>1,377,960</u>	<u>683,126</u>	<u>2,061,086</u>
Cash - end	<u>\$ 1,084,623</u>	<u>\$ 742,826</u>	<u>\$ 1,827,449</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 77,990	\$ 59,272	\$ 137,262
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	154,401	32,172	186,573
Increase (decrease) in net pension liability	14,145	12,918	27,063
Increase (decrease) in deferred inflows related to pensions	(11,390)	(4,127)	(15,517)
(Increase) decrease in deferred outflows related to pensions	(28,451)	(19,211)	(47,662)
(Increase) decrease in receivable - net	19,524	-	19,524
(Increase) decrease in inventories	395	-	395
(Increase) decrease in customer lists	2,961	-	2,961
Increase (decrease) in accounts payable	(37,621)	(6,556)	(44,177)
Increase (decrease) in accrued liabilities	1,532	1,600	3,132
Increase (decrease) in compensated absences payable	435	5,103	5,538
Increase (decrease) in customer deposits	<u>12,860</u>	<u>-</u>	<u>12,860</u>
Total adjustments	<u>128,791</u>	<u>21,899</u>	<u>150,690</u>
Net cash provided (used) by operating activities	<u>\$ 206,781</u>	<u>\$ 81,171</u>	<u>\$ 287,952</u>

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Notes to Financial Statements
June 30, 2016

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.

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.

Building Construction Fund

This fund is used to account for funds set aside for future building construction projects.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

The Town reports the following major proprietary funds:

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.

Stormwater Fund

This fund is used to account for the stormwater services of the Town including operations and maintenance.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting (Continued)

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.

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 decreased by \$487,092. Budgeted expenditures increased by \$129,938. Budgeted transfers out increased by \$53,993.

Vehicle Replacement Fund: Budgeted expenditures increased by \$28,000.

State Street Aid Fund: Budgeted expenditures increased by \$53,993. Budgeted transfers increased by \$53,993.

Building Construction Fund: Budgeted revenues increased by \$85,000. Budgeted expenditures decreased by \$355,790.

Water Fund: Budgeted expenses decreased by \$77,200.

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, 2016, the Town had no cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Fund Balance (Continued)

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.

U. Events Occurring after Reporting Date

The Town has evaluated events and transactions that occurred between June 30, 2016, and December 5, 2016, 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, 2016, the carrying amount of the Town's deposits was \$5,219,919, and the bank balance was \$5,340,747. 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	\$ 3,749,403
Investments	7,390,645
Restricted investments	8,977
Less: Investments in LGIP	(5,927,731)
Petty cash	(1,375)
Total	<u>\$ 5,219,919</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, 2016. The Town's investments are listed on the Statement of Net Position as follows:

Investments	\$ 7,390,645
Restricted investments	<u>8,977</u>
Total	<u>\$ 7,399,622</u>

\$8,977 of the investments is restricted for payment of debt on a new high school.

NOTE 3 - PROPERTY TAXES - NET

Tax rate for the 2016 levy is \$1.5684 per \$100 of assessed valuation and the tax rate for the 2015 levy is \$1.5684 per \$100 of assessed valuation.

Property taxes for the 2016 levy are considered to be owed to the Town as of the lien date on January 1, 2016. Therefore, the entire 2016 levy was recorded as a receivable and deferred revenue as of June 30, 2016.

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

Lien date	January 1, 2016
Levy date	January 1, 2016
Tax bills mailed	October 1, 2015
Payment due date	October 1, 2015
	Through February 28, 2016
Delinquency date	March 1, 2016

Property taxes receivable as of June 30, 2016, are composed of the following:

<u>Year of Levy</u>	
2016	\$ 4,173,766
2015	88,776
2014	14,422
2013	36,117
2012	21,302
2011	16,165
2010	13,361
2009	14,270
2008	1,127
2007	671
	<u>4,379,977</u>
Less: allowance for uncollectibles	<u>(133,947)</u>
Property taxes receivable - net	<u>\$ 4,246,030</u>

NOTE 4 - RECEIVABLE - NET

Accounts and other receivables at June 30, 2016, consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Customer accounts	\$ -	\$ 454,423	\$ 454,423
Wholesale beer tax	29,855	-	29,855
Miscellaneous	706	-	706
	<u>30,561</u>	<u>454,423</u>	<u>484,984</u>
Less allowance for uncollectible accounts	<u>-</u>	<u>(3,708)</u>	<u>(3,708)</u>
Total	<u>\$ 30,561</u>	<u>\$ 450,715</u>	<u>\$ 481,276</u>

Bad debt expense was \$0 for year ended June 30, 2016.

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Due from other governments as of June 30, 2016, consists of the following receivables from the State of Tennessee:

State income tax	\$ 725,915
State street aid revenues	41,837
City streets and transportation revenues	2,836
Mixed drink tax revenue	5,941
State sales tax revenue	117,845
Local sales tax revenue	60,960
Business tax revenue	2,679
Telecommunications tax revenue	<u>138</u>
Total	<u>\$ 958,151</u>

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

NOTE 6 - INTERNAL BALANCES

Internal balances at June 30, 2016, consist of the following:

Due to:	Due from:					Total
	General Fund	State Street Aid Fund	Building Construction Fund	Water Fund	Stormwater Fund	
General Fund	\$ -	\$ 140	\$ 121	\$ 1,150	\$ 83	\$ 1,494
Vehicle Replacement Fund	<u>56,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,557</u>
	<u>\$ 56,557</u>	<u>\$ 140</u>	<u>\$ 121</u>	<u>\$ 1,150</u>	<u>\$ 83</u>	<u>\$ 58,051</u>

Funds are due 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. The remaining balances are amounts paid by the General Fund on behalf of the State Street Aid Fund, Building Construction Fund, Water Fund and Stormwater Fund that are to be reimbursed in the next fiscal year.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>\$ 844,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 844,313</u>
Capital assets being depreciated:				
Building and other improvements	5,623,636	1,217,951	(71,186)	6,770,401
Equipment	4,719,662	379,864	(88,547)	5,010,979
Public improvements (infrastructure)	<u>2,278,823</u>	<u>-</u>	<u>-</u>	<u>2,278,823</u>
Total capital assets being depreciated	<u>12,622,121</u>	<u>1,597,815</u>	<u>(159,733)</u>	<u>14,060,203</u>
Less accumulated depreciation for:				
Buildings and other improvements	3,272,001	134,251	(66,240)	3,340,012
Equipment	2,351,306	402,891	(88,547)	2,665,650
Public improvements (infrastructure)	<u>751,798</u>	<u>70,057</u>	<u>-</u>	<u>821,855</u>
Total accumulated depreciation	<u>6,375,105</u>	<u>607,199</u>	<u>(154,787)</u>	<u>6,827,517</u>
Total capital assets being depreciated - net	<u>6,247,016</u>	<u>990,616</u>	<u>(4,946)</u>	<u>7,232,686</u>
Governmental activities capital assets - net	<u>\$ 7,091,329</u>	<u>\$ 990,616</u>	<u>\$ (4,946)</u>	<u>\$ 8,076,999</u>

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

General government	\$ 27,785
Public safety	213,832
Public works	256,318
Public welfare and recreation	106,642
Maintenance shop	<u>2,622</u>
Total	<u>\$ 607,199</u>

NOTE 7 - CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 15,699	\$ -	\$ -	\$ (15,699)	\$ -
Capital assets being depreciated:					
Plant in service	6,658,924	-	-	15,699	6,674,623
Equipment	959,443	21,799	(13,765)	-	967,477
Total capital assets being depreciated	7,618,367	21,799	(13,765)	15,699	7,642,100
Less accumulated depreciation for:					
Plant in service	3,720,682	125,948	-	-	3,846,630
Equipment	777,723	60,625	(13,765)	-	824,583
Total capital depreciation	4,498,405	186,573	(13,765)	-	4,671,213
Total capital assets being depreciated - net	3,119,962	(164,774)	-	15,699	2,970,887
Business-type activities capital assets - net	\$ 3,135,661	\$ (164,774)	\$ -	\$ -	\$ 2,970,887

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

Water	\$ 154,401
Stormwater	32,172
Total	\$ 186,573

NOTE 8 - DEFERRED OUTFLOWS RELATED TO PENSIONS

Deferred outflows related to pensions at June 30, 2016, consists of the following:

July 1, 2015 balance	\$ 268,720
Actuarial experience different than assumption	183,963
Investment earnings different than assumption	283,430
Prior year employer contributions	(267,550)
Amortization of actuarial experience	(30,661)
Amortization of investment earnings	(56,686)
Current year employer contributions	315,215
Estimated versus actual prior year contribution	(1,170)
Total	\$ 695,261

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 2018	\$ 439,948
Capital outlay note, Series 2015, still in draw down phase	791,222
Compensated absences payable	176,490
	1,407,660
Less: current portion of governmental long-term debt	(346,000)
Total governmental long-term debt	\$ 1,061,660

A summary of changes in governmental long-term debt for the year ended June 30, 2016, are as follows:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Amount Due Within One Year
Capital outlay note, 2007	\$ 846,948	\$ -	\$ (407,000)	\$ 439,948	\$ 346,000
Capital outlay note, 2015	-	925,222	(134,000)	791,222	-
Compensated absences	159,257	17,233	-	176,490	-
Total	\$ 1,006,205	\$ 942,455	\$ (541,000)	1,407,660	\$ 346,000
Less: current portion of governmental long-term debt				(346,000)	
Total governmental long-term debt				\$ 1,061,660	

Interest paid during the year ended June 30, 2016, on governmental long-term debt was \$11,086.

Governmental debt service requirements to maturity including interest of \$1,921 are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2017	\$ 346,000	\$ 1,583	\$ 347,583
2018	93,948	338	94,286
Total	\$ 439,948	\$ 1,921	\$ 441,869

Note: Compensated absences are not included in the above debt service requirement schedule due to their inestimable nature. The 2015 capital outlay note is also not included because it is still being drawn down at year-end.

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>\$ 18,227</u>
	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2016</u>	<u>Amount Due Within One Year</u>
Compensated absences	<u>\$ 17,792</u>	<u>\$ 435</u>	<u>\$ -</u>	<u>\$ 18,227</u>	<u>\$ -</u>
Less: current portion of water long-term debt				<u>-</u>	
Total water long-term debt				<u>\$ 18,227</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>\$8,370</u>
	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2016</u>	<u>Amount Due Within One Year</u>
Compensated absences	<u>\$ 3,267</u>	<u>\$ 5,103</u>	<u>\$ -</u>	<u>\$ 8,370</u>	<u>\$ -</u>
Less: current portion of stormwater long-term debt				<u>-</u>	
Total stormwater long-term debt				<u>\$ 8,370</u>	

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

NOTE 10 - NET PENSION LIABILITY

Net pension liability at June 30, 2016, consists of the following:

Net pension liability at July 1, 2015	\$ 845,993
Employer contributions made during 2016	(267,550)
Pension expense	107,249
Actuarial experience different than assumption	183,963
Amortization of actuarial experience	(23,059)
Investment earnings different than assumption	283,581
Amortization of investment earnings	<u>38,751</u>
Total	<u>\$ 1,168,928</u>

NOTE 11 - DEFERRED INFLOWS RELATED TO PENSIONS

Deferred inflows related to pension at June 30, 2016, consists of the following:

July 1, 2015 balance	\$ 416,536
Amortization of deferred inflows for actuarial experience	(3,777)
Amortization of deferred inflows for investment earnings	<u>(99,413)</u>
Total	<u>\$ 313,346</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>\$47,205</u>	<u>\$ 4,173,766</u>	<u>\$4,220,971</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.

\$8,977 is legally restricted for debt service on a local middle/high school.

\$23,172 is legally restricted for use in investigations of drug-related violations and drug prevention programs.

\$378,940 is legally restricted for use in the State Street Aid Fund for street expenditures.

NOTE 14 - FUND BALANCES

Fund balances are as follows:

Nonspendable: \$9,027 is nonspendable inventory.

Restricted: \$8,977 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. \$23,172 is legally restricted for use in investigations of drug-related violations and drug prevention programs. \$378,940 is legally restricted for use in the State Street Aid Fund for street expenditures.

Committed: \$491,897 is committed for the purchase of mobile assets. \$288,988 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:		<u>Total</u>
	<u>Vehicle Replacement Fund</u>	<u>State Street Aid Fund</u>	
<u>Transfer from:</u>			
General Fund	\$ 339,340	\$ 606,288	\$ 945,628

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.

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 \$(1,407,660) difference are as follows:

Notes payable	\$ (1,231,170)
Compensated absences	<u>(176,490)</u>
Net adjustment	\$ (1,407,660)

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 \$(700,442) difference are as follows:

Deferred outflows related to pensions	\$ 618,782
Net pension liability	(1,040,346)
Deferred inflows related to pensions	<u>(278,878)</u>
Net adjustment	\$ (700,442)

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 \$985,670 difference are as follows:

Capital outlay	\$ 1,597,815
Depreciation expense	(607,199)
Loss on disposal of capital asset	<u>(4,946)</u>
Net adjustment	<u>\$ 985,670</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 \$541,000 difference are as follows:

Capital outlay note, 2007	\$ 407,000
Capital outlay note, 2015	<u>134,000</u>
Net adjustment	<u>\$ 541,000</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 \$170,680 difference are as follows:

Pension expense	\$ (95,452)
Contributions	280,541
Estimated versus actual recognized	(1,783)
Change in proportionate share	<u>(12,626)</u>
Net adjustment	<u>\$ 170,680</u>

NOTE 17 - 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 18 - COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS

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

NOTE 19 - 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 20 - 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.

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, 2015, 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	62
Active employees	<u>65</u>
	<u>165</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, the Actuarially Determined Contribution (ADC) for Signal Mountain was \$267,550 based on a rate of 10.41 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 ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

NOTE 20 - PENSION PLAN (Continued)

Net Pension Liability (Asset)

Signal Mountain's net pension liability (asset) was measured as of June 30, 2015, 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, 2015 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

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, 2015 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%	1%
		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 20 - 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 (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at 6/30/14	<u>\$ 7,239,155</u>	<u>\$ 6,393,162</u>	<u>\$ 845,993</u>
Changes for the year:			
Services cost	185,659	-	185,659
Interest	543,568	-	543,568
Differences between expected and actual experience	183,963	-	183,963
Contributions - employer	-	267,550	(267,550)
Contributions - employees	-	128,542	(128,542)
Net investment income	-	197,493	(197,493)
Benefit payments, including refunds of employee contributions	(354,485)	(354,485)	-
Administrative expense	-	(3,330)	3,330
Other changes	-	-	-
Net changes	<u>558,705</u>	<u>235,770</u>	<u>322,935</u>
Balances at 6/30/15	<u>\$ 7,797,860</u>	<u>\$ 6,628,932</u>	<u>\$ 1,168,928</u>

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)	\$ 2,065,673	\$ 1,168,928	\$ 411,780

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

For the year ended June 30, 2016, Signal Mountain recognized pension expense of \$107,249.

NOTE 20 - 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, 2016, Signal Mountain reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actuarial experience	\$ 153,302	\$ 15,107
Net difference between projected and actual earnings on pension plan investments	226,744	298,239
Contributions subsequent to the measurement date of June 30, 2015	<u>315,215</u>	<u>(not applicable)</u>
Total	<u>\$ 695,261</u>	<u>\$ 313,346</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2015,” 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:

2017	\$ (15,843)
2018	\$ (15,843)
2019	\$ (15,843)
2020	\$ 83,570
2021	\$ 30,661
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, 2016, Signal Mountain reported a payable of \$35,269 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

NOTE 21 - 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	\$17,005,970
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 21 - 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, 2016. No provision has been made in the financial statements for the year ended June 30, 2016, 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, 2016

Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>
<u>Total pension liability</u>		
Service cost	\$ 186,105	\$ 185,659
Interest	517,825	543,568
Changes in benefit terms	-	-
Differences between actual and expected experience	(22,661)	183,963
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(320,690)</u>	<u>(354,485)</u>
Net change in total pension liability (asset)	360,579	558,705
Total pension liability (asset) - beginning	<u>6,878,576</u>	<u>7,239,155</u>
Total pension liability (asset) - ending (a)	<u>\$ 7,239,155</u>	<u>\$ 7,797,860</u>
 <u>Plan fiduciary net position</u>		
Contributions - employer	\$ 251,361	\$ 267,550
Contributions - employee	122,475	128,542
Net investment income	906,655	197,493
Benefit payments, including refunds of employee contributions	(320,690)	(354,485)
Administrative expense	(2,524)	(3,330)
Other	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	957,277	235,770
Plan fiduciary net position - beginning	<u>5,435,885</u>	<u>6,393,162</u>
Plan fiduciary net position - ending (b)	<u>\$ 6,393,162</u>	<u>\$ 6,628,932</u>
 Net Pension Liability (asset) - ending (a) - (b)	<u>\$ 845,993</u>	<u>\$ 1,168,928</u>
 Plan fiduciary net position as a percentage of total pension liability	88.31%	85.01%
 Covered payroll	\$ 2,449,490	\$ 2,569,954
 Net pension liability (asset) as a percentage of covered payroll	34.54%	45.48%

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, 2016

Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 251,361	\$ 267,550	\$ 315,215
Contributions in relation to the actuarially determined contribution	<u>251,361</u>	<u>267,550</u>	<u>315,215</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	 \$ 2,449,490	 \$ 2,569,954	 \$ 3,025,668
 Contributions as a percentage covered payroll	 10.26%	 10.41%	 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, 2016

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2016 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
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.

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.

Vehicle Replacement Fund: This fund is used to account for the purchase and replacement of vehicles and rolling stock.

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Non-major Governmental Fund
Combining Balance Sheet
June 30, 2016

	<u>Special Revenue Drug Fund</u>	<u>Capital Projects Vehicle Replacement Fund</u>	<u>Total Non-major Governmental Funds</u>
ASSETS			
Cash	\$ 23,191	\$ 437,082	\$ 460,273
Investments	-	2,592	2,592
Due from other funds	-	56,557	56,557
TOTAL ASSETS	<u>\$ 23,191</u>	<u>\$ 496,231</u>	<u>\$ 519,422</u>
LIABILITIES			
Accounts payable	<u>\$ 19</u>	<u>\$ 4,334</u>	<u>\$ 4,353</u>
FUND BALANCES			
Restricted	\$ 23,172	\$ -	\$ 23,172
Committed	-	491,897	491,897
TOTAL FUND BALANCES	<u>\$ 23,172</u>	<u>\$ 491,897</u>	<u>\$ 515,069</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Non-Major Governmental Fund
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2016

	<u>Special Revenue Drug Fund</u>	<u>Capital Projects Vehicle Replacement Fund</u>	<u>Total Non-major Governmental Funds</u>
REVENUES			
Fines and forfeitures	\$ 6,574	\$ -	\$ 6,574
Intergovernmental	3,510	-	3,510
Other revenues	<u>6,907</u>	<u>5,872</u>	<u>12,779</u>
TOTAL REVENUES	<u>16,991</u>	<u>5,872</u>	<u>22,863</u>
EXPENDITURES			
Current Expenditures			
Public safety	5,950	-	5,950
Public works	<u>-</u>	<u>428</u>	<u>428</u>
Total current expenditures	<u>5,950</u>	<u>428</u>	<u>6,378</u>
Capital Outlay			
Public safety	<u>-</u>	<u>221,885</u>	<u>221,885</u>
TOTAL EXPENDITURES	<u>5,950</u>	<u>222,313</u>	<u>228,263</u>
Excess (deficiency) of revenues over (under) expenditures	11,041	(216,441)	(205,400)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>-</u>	<u>339,340</u>	<u>339,340</u>
Net changes in fund balances	11,041	122,899	133,940
Fund balances - beginning	<u>12,131</u>	<u>368,998</u>	<u>381,129</u>
Fund balances - end	<u>\$ 23,172</u>	<u>\$ 491,897</u>	<u>\$ 515,069</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Drug Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2016

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Fines and forfeitures				
City court revenues	\$ 3,500	\$ 3,500	\$ 6,574	\$ 3,074
Intergovernmental				
Grants	-	-	3,510	3,510
Other revenues				
Interest earnings	6	6	7	1
Miscellaneous	-	-	6,900	6,900
Total other revenues	6	6	6,907	6,901
TOTAL REVENUES	<u>3,506</u>	<u>3,506</u>	<u>16,991</u>	<u>13,485</u>
EXPENDITURES				
Current Expenditures				
Public safety				
Drug prevention	1,000	-	286	(286)
Operating supplies	-	-	5,664	(5,664)
Total public safety	<u>1,000</u>	<u>-</u>	<u>5,950</u>	<u>(5,950)</u>
Capital Outlay				
Public safety				
Equipment	<u>5,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>6,500</u>	<u>-</u>	<u>5,950</u>	<u>(5,950)</u>
Excess (deficiency) of revenues over (under) expenditure	(2,994)	3,506	11,041	7,535
Fund balances - beginning	<u>12,131</u>	<u>12,131</u>	<u>12,131</u>	<u>-</u>
Fund balances - end	<u>\$ 9,137</u>	<u>\$ 15,637</u>	<u>\$ 23,172</u>	<u>\$ 7,535</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Vehicle Replacement Fund
Capital Projects
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Other revenues				
Interest earnings	\$ 1,000	\$ 1,000	\$ 172	\$ (828)
Sale of assets	<u>-</u>	<u>-</u>	<u>5,700</u>	<u>5,700</u>
TOTAL REVENUES	<u>1,000</u>	<u>1,000</u>	<u>5,872</u>	<u>4,872</u>
EXPENDITURES				
Current Expenditures				
Public works				
Miscellaneous	<u>1,000</u>	<u>-</u>	<u>428</u>	<u>(428)</u>
Capital Outlay				
Public safety				
Vehicles	277,000	-	221,885	(221,885)
Public works				
Vehicles	<u>285,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital outlay	<u>562,000</u>	<u>-</u>	<u>221,885</u>	<u>(221,885)</u>
TOTAL EXPENDITURES	<u>563,000</u>	<u>-</u>	<u>222,313</u>	<u>(222,313)</u>
Excess (deficiency) of revenues over (under) expenditures	(562,000)	1,000	(216,441)	(217,441)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>339,340</u>	<u>339,340</u>	<u>339,340</u>	<u>-</u>
Net changes in fund balances	(222,660)	340,340	122,899	(217,441)
Fund balances - beginning	<u>368,998</u>	<u>368,998</u>	<u>368,998</u>	<u>-</u>
Fund balances - end	<u>\$ 146,338</u>	<u>\$ 709,338</u>	<u>\$ 491,897</u>	<u>\$ (217,441)</u>

FINANCIAL SCHEDULES

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Grantor/Pass-through Agency	CFDA Number	State Grant/Project Number	(Accrued) Deferred Grant Revenues July 1, 2015	Grant Revenues Received	Expenditures	(Accrued) Deferred Grant Revenues June 30, 2016
Federal						
U.S. Department of Transportation						
Transportation Enhancement Section	20.205	STP-M-9215(2)	\$ -	\$ 8,563	\$ 8,563	\$ -
Aggressive Driver Enforcement	20.600	Z15GHS321	(12,786)	31,007	18,221	-
Aggressive Driver Enforcement	20.600	Z16GHS322	-	7,403	7,403	-
Total U.S. Department of Transportation			(12,786)	46,973	34,187	-
U.S. Department of Homeland Security						
Domestic Preparedness Grant						
Passed through TN District 3						
Homeland Security Grant Council	97.067		-	18,464	18,464	-
U.S. Department of Justice						
Bulletproof Vest Partnership	16.710		-	3,510	3,510	-
Total Federal Awards			\$ (12,786)	\$ 68,947	\$ 56,161	\$ -

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

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, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes	\$ 5,136,594	\$ 4,644,502	\$ 4,654,685	\$ 10,183
Licenses and permits	43,575	43,575	60,100	16,525
Intergovernmental	1,405,500	1,405,500	1,611,711	206,211
Charges for services	277,079	282,079	259,190	(22,889)
Fines and forfeitures	40,000	40,000	37,769	(2,231)
Other revenue	269,095	269,095	238,821	(30,274)
TOTAL REVENUES	7,171,843	6,684,751	6,862,276	177,525
EXPENDITURES				
Current Expenditures				
General government				
Judicial	53,213	53,213	49,067	4,146
Administration	425,601	427,601	419,698	7,903
Finance	214,382	220,982	210,291	10,691
Building and codes	139,889	139,889	129,301	10,588
Public safety				
Police	1,254,866	1,313,777	1,292,547	21,230
Fire protection and control services	1,391,908	1,431,908	1,410,552	21,356
Highways and streets				
Public works administration	120,426	120,426	79,123	41,303
Highway and street maintenance	451,426	469,576	370,962	98,614
Sanitation				
Solid waste department	507,186	507,186	460,170	47,016
Recycling centers	71,858	71,858	73,196	(1,338)
Public welfare and recreation				
Recreation	581,560	607,610	581,200	26,410
Mountain Arts Community Center	172,575	186,850	167,092	19,758
Library	164,179	164,179	148,206	15,973
Maintenance shop	84,325	91,325	81,821	9,504

(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, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES				
Capital Outlay				
General government				
Administration	\$ 2,000	\$ 2,000	\$ -	\$ 2,000
Finance	9,000	2,400	-	2,400
Building and codes	30,500	30,500	28,751	1,749
Public safety				
Police	4,500	-	-	-
Fire protection and control services	162,200	122,200	119,729	2,471
Highways and streets				
Public works administration	2,000	2,000	-	2,000
Highway and street maintenance	27,000	17,644	6,744	10,900
Public welfare and recreation				
Recreation	248,000	263,408	94,557	168,851
Mountain Arts Community Center	218,000	175,000	5,805	169,195
Debt Service	<u>531,450</u>	<u>576,450</u>	<u>552,086</u>	<u>24,364</u>
TOTAL EXPENDITURES	<u>6,868,044</u>	<u>6,997,982</u>	<u>6,280,898</u>	<u>717,084</u>
Excess (deficiency) of revenues over (under) expenditures	303,799	(313,231)	581,378	894,609
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(891,635)</u>	<u>(945,628)</u>	<u>(945,628)</u>	<u>-</u>
Net changes in fund balances	(587,836)	(1,258,859)	(364,250)	894,609
Fund balances - beginning	<u>6,745,985</u>	<u>6,745,985</u>	<u>6,745,985</u>	<u>-</u>
Fund balances - end	<u>\$ 6,158,149</u>	<u>\$ 5,487,126</u>	<u>\$ 6,381,735</u>	<u>\$ 894,609</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Building Construction Fund
Capital Projects
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Other revenues				
Contributions and donations	\$ -	\$ 85,000	\$ 85,000	\$ -
Interest earnings	-	-	179	179
Total other revenues	-	85,000	85,179	179
TOTAL REVENUES	-	85,000	85,179	179
EXPENDITURES				
Capital Outlay				
General government				
Facility repair and improvements	500,000	500,000	-	500,000
Public safety				
Fire station	1,000,000	534,210	5,000	529,210
Public works				
Facility	1,500,000	1,525,000	1,056,833	468,167
Public welfare and recreation				
Library	-	85,000	82,387	2,613
Total capital outlay	3,000,000	2,644,210	1,144,220	1,499,990
TOTAL EXPENDITURES	3,000,000	2,644,210	1,144,220	1,499,990
Excess (deficiency) of revenues over (under) expenditures	(3,000,000)	(2,559,210)	(1,059,041)	1,500,169
OTHER FINANCING SOURCES (USES)				
Proceeds from debt issuance	2,559,210	2,559,210	925,222	(1,633,988)
Bond issue	-	-	(18,000)	(18,000)
Total other financing sources (uses)	2,559,210	2,559,210	907,222	(1,651,988)
Net changes in fund balances	(440,790)	-	(151,819)	1,500,169
Fund balances - beginning	440,807	440,807	440,807	-
Fund balances - end	\$ 17	\$ 440,807	\$ 288,988	\$ (151,819)

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Water Fund
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year Ended June 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
OPERATING REVENUES				
Water service charges	\$ 1,344,000	\$ 1,344,000	\$ 1,354,697	\$ 10,697
Water service penalties	24,000	24,000	22,812	(1,188)
Other revenue	3,500	3,500	16,973	13,473
Total operating revenues	<u>1,371,500</u>	<u>1,371,500</u>	<u>1,394,482</u>	<u>22,982</u>
OPERATING EXPENSES				
Water purchases	<u>450,000</u>	<u>420,000</u>	<u>427,050</u>	<u>(7,050)</u>
Power and pumping				
Operating supplies and expense	1,500	1,500	829	671
Repairs and maintenance	17,000	16,000	6,708	9,292
Telephone and other communication	1,900	1,900	1,731	169
Utilities	200,000	200,000	178,235	21,765
Total power and pumping	<u>220,400</u>	<u>219,400</u>	<u>187,503</u>	<u>31,897</u>
Treatment and transmission				
Miscellaneous	2,500	2,500	120	2,380
Operating supplies and expense	760,428	760,428	6,123	754,305
Professional services	70,000	60,000	24,716	35,284
Repairs and maintenance	94,988	97,488	89,104	8,384
Travel and training	400	400	-	400
Vehicle expense	13,200	13,200	5,542	7,658
Total treatment and transmission	<u>941,516</u>	<u>934,016</u>	<u>125,605</u>	<u>808,411</u>
Maintenance				
Salaries	203,324	203,324	189,498	13,826
Payroll taxes	15,554	15,554	15,003	551
Fringe benefits	38,766	38,766	35,396	3,370
Pension expense	17,344	17,344	(5,870)	23,214
Insurance	10,423	10,423	8,363	2,060
Miscellaneous	4,100	100	-	100
Operating supplies and expense	77,200	80,150	17,137	63,013
Repairs and maintenance	13,115	15,415	6,583	8,832
Telephone and other communication	2,000	2,000	1,437	563
Travel and training	1,000	1,000	-	1,000
Utilities	100,280	40,280	10,899	29,381
Vehicle expense	3,000	2,000	480	1,520
Total maintenance	<u>486,106</u>	<u>426,356</u>	<u>278,926</u>	<u>147,430</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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
OPERATING EXPENSES (Continued)				
Administration				
Salaries	\$ 45,168	\$ 25,168	\$ 22,046	\$ 3,122
Payroll taxes	3,455	3,455	1,656	1,799
Fringe benefits	30,525	30,525	19,397	11,128
Pension expense	3,853	2,853	751	2,102
Contract services	-	42,000	42,280	(280)
In lieu of taxes	30,000	30,000	26,168	3,832
Insurance	13,176	13,176	13,285	(109)
Miscellaneous	3,750	3,750	2,385	1,365
Office supplies and expense	1,500	1,500	1,461	39
Operating supplies and expense	3,900	3,950	3,891	59
Postage and printing	7,700	7,700	8,524	(824)
Professional services	500	500	-	500
Telephone and other communication	2,500	2,500	1,163	1,337
Travel and training	1,500	1,500	-	1,500
Total administration	<u>147,527</u>	<u>168,577</u>	<u>143,007</u>	<u>25,570</u>
 Depreciation	 <u>190,000</u>	 <u>190,000</u>	 <u>154,401</u>	 <u>35,599</u>
 Total operating expenses	 <u>2,435,549</u>	 <u>2,358,349</u>	 <u>1,316,492</u>	 <u>1,041,857</u>
 Operating income (loss)	 <u>(1,064,049)</u>	 <u>(986,849)</u>	 <u>77,990</u>	 <u>1,064,839</u>
 NON-OPERATING REVENUES (EXPENSES)				
Interest earnings	5,000	5,000	7,591	2,591
Amortization expense	<u>(2,961)</u>	<u>(2,961)</u>	<u>(2,961)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>2,039</u>	<u>2,039</u>	<u>4,630</u>	<u>2,591</u>
 Changes in net position	 (1,062,010)	 (984,810)	 82,620	 1,067,430
 Net position - beginning	 <u>6,381,704</u>	 <u>6,381,704</u>	 <u>6,381,704</u>	 <u>-</u>
 Net position - end	 <u>\$ 5,319,694</u>	 <u>\$ 5,396,894</u>	 <u>\$ 6,464,324</u>	 <u>\$ 1,067,430</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Stormwater Fund
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year Ended June 30, 2016

	Budgeted Amount			
	Original	Final	Actual	Variance
OPERATING REVENUES				
Stormwater user fees	\$ 246,046	\$ 246,046	\$ 300,855	\$ 54,809
OPERATING EXPENSES				
Stormwater operations				
Salaries	123,253	123,253	119,963	3,290
Payroll taxes	9,429	9,429	8,599	830
Fringe benefits	20,285	26,285	18,281	8,004
Pension expense	10,514	10,514	4,290	6,224
Contract services	7,000	7,000	7,067	(67)
Insurance	5,963	5,963	6,651	(688)
Miscellaneous	1,000	1,000	-	1,000
Office supplies and expense	400	400	865	(465)
Operating supplies and expense	9,175	9,175	2,408	6,767
Permit fee	4,000	4,000	3,460	540
Postage and printing	5,000	5,200	1,319	3,881
Professional services	20,000	23,000	15,698	7,302
Repairs and maintenance	102,310	96,310	15,111	81,199
Telephone and other communication	700	700	675	25
Travel and training	3,000	3,000	3,561	(561)
Utilities	1,000	1,000	-	1,000
Vehicle expense	2,650	2,650	1,463	1,187
Total stormwater operations	325,679	328,879	209,411	119,468
Depreciation	40,000	36,800	32,172	4,628
Total operating expenses	365,679	365,679	241,583	124,096
Operating income (loss)	(119,633)	(119,633)	59,272	178,905
NON-OPERATING REVENUES (EXPENSES)				
Interest earnings	210	210	342	132
Changes in net position	(119,423)	(119,423)	59,614	179,037
Net position - beginning	778,661	778,661	778,661	-
Net position - end	\$ 659,238	\$ 659,238	\$ 838,275	\$ 179,037

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Schedule of Property Taxes Receivable
June 30, 2016

<u>Year of Levy</u>	
2016	\$ 4,173,766
2015	88,776
2014	14,422
2013	36,117
2012	21,302
2011	16,165
2010	13,361
2009	14,270
2008	1,127
2007	<u>671</u>
Total property taxes receivable	4,379,977
Less: allowance for uncollectible taxes	<u>(133,947)</u>
Property taxes receivable - net	<u>\$ 4,246,030</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Schedule of Changes in Property Taxes Receivable
June 30, 2016

<u>Year of Levy</u>	<u>Taxes Receivable July 1, 2015</u>	<u>Taxes Levied</u>	<u>Pickups</u>	<u>Discounts and Releases</u>	<u>Collections</u>	<u>Taxes Receivable July 1, 2016</u>
2016	\$ -	\$ 4,173,766	\$ -	\$ -	\$ -	\$ 4,173,766
2015	4,280,200	300,672	(1) 33,092	(137,249)	(4,387,939)	88,776
2014	62,992	-	-	-	(48,570)	14,422
2013	50,562	-	-	-	(14,445)	36,117
2012	27,588	-	-	-	(6,286)	21,302
2011	17,172	-	-	-	(1,007)	16,165
2010	13,493	-	-	-	(132)	13,361
2009	14,387	-	-	-	(117)	14,270
2008	1,127	-	-	-	-	1,127
2007	671	-	-	-	-	671
2006	645	-	-	(645)	-	-
	<u>\$ 4,468,837</u>	<u>\$ 4,474,438</u>	<u>\$ 33,092</u>	<u>\$ (137,894)</u>	<u>\$ (4,458,496)</u>	<u>\$ 4,379,977</u>

(1) 2015 Stormwater fees

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Governmental Funds
Schedule of Debt Service Requirements
June 30, 2016

CAPITAL OUTLAY NOTE - SERIES 2007

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 346,000	\$ 1,583	\$ 347,583
2018	93,948	338	94,286
Total	<u>\$ 439,948</u>	<u>\$ 1,921</u>	<u>\$ 441,869</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Insurance Coverage
June 30, 2016

Coverage	Amount
Buildings and personal property (except Country Club)	\$17,005,970
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
Tax Rates and Assessed Valuation
Applicable to the Last Ten Years
June 30, 2016

Year of Levy	Tax Rate Per \$100	Assessed Valuation			Total
		Property	Personalty	Utilities	
2016	\$ 1.5684	\$ 256,749,794	\$ 1,953,030	\$ 8,516,067	\$ 267,218,891
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


NOTE: On July 1, 2015, the Town of Signal Mountain approved the levy for the year ended June 30, 2016. The tax rate adopted for each \$100 of assessed valuation for the 2015 levy was \$1.5684.

On July 1, 2016, the Town of Signal Mountain approved the levy for the year ended June 30, 2017, for the residents on record as of January 1, 2015. The 2015 levy was recorded as a receivable and deferred revenue for the year ended June 30, 2016.

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Property Taxes Levied and Property Tax Collections - Last Ten Years
Years Ended June 30, 2006 to 2015

<u>Year of Levy</u>	<u>Tax Rate Per \$100</u>	<u>Total Tax Levy</u>	<u>Collections of Current Levy During Period</u>	<u>Percent of Current Collections to Levy</u>	<u>Collections of Prior Years Levy During Period</u>	<u>Total Collections During Period</u>	<u>Percent of Total Collections to Current Year Levy</u>	<u>Discounts and Adjustments During Period</u>	<u>Accumulated Delinquent Property Taxes</u>	<u>Percent of Delinquent Property Taxes to Current Year Levy</u>
2015	\$ 1.568	\$ 4,580,872	\$ 4,387,939	95.8%	\$ 70,557	\$ 4,458,496	97.3%	\$ (104,802)	\$ 206,211	4.5%
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%

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Unaccounted for Water
June 30, 2016



**AWWA Free Water Audit Software:
Reporting Worksheet**

WAS v3.0
American Water Works Association
Copyright © 2014, All Rights Reserved.

Click to access definition

Click to add a comment

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

Reporting Year: 2016 7/2015 - 6/2016

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

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

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

WATER SUPPLIED

Volume from own sources:	+	?	7	285.820	MG/Yr
Water imported:	+	?	9	285.820	MG/Yr
Water exported:	+	?	7		MG/Yr

WATER SUPPLIED: 285.820 MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	+	?	7	Value:	MG/Yr
	+	?	7	Value:	MG/Yr
	+	?	7	Value:	MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered:	+	?	7	224.617	MG/Yr
Billed unmetered:	+	?	7	224.617	MG/Yr
Unbilled metered:	+	?	5	0.001	MG/Yr
Unbilled unmetered:	+	?	10	3.382	MG/Yr

AUTHORIZED CONSUMPTION: 228.000 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) 57.820 MG/Yr

Apparent Losses

Unauthorized consumption:	+	?	7	0.676	MG/Yr
Customer metering inaccuracies:	+	?	7	11.822	MG/Yr
Systematic data handling errors:	+	?	10	0.001	MG/Yr

Apparent Losses: 12.499 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 45.321 MG/Yr

WATER LOSSES: 57.820 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 61.203 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	3,362
Service connection density:	+	?	7	50	conn./mile main

Are customer meters typically located at the curbside 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: 150.0 (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	\$1,316,131	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+	?	9	\$5.99	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+	?	10	\$2,117.71	\$/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, 2016

AWWA Free Water Audit Software:

WAS v5.0

🏠

Water Audit Report for: Town of Signal Mountain (0000634)
 Reporting Year: 2016 7/2015 - 6/2016

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

System Attributes:

Apparent Losses:	+	Real Losses:	
			=
		Water Losses:	

Unavoidable Annual Real Losses (UARL):

12.400 MG/Yr

45.321 MG/Yr

57.820 MG/Yr

Annual cost of Apparent Losses:

\$74,869

Annual cost of Real Losses:

\$95,977

Valued at **Variable Production Cost**
 Return to Reporting Worksheet to change this assumption

Performance Indicators:

Non-revenue water as percent by volume of Water Supplied:		21.4%	
Non-revenue water as percent by cost of operating system:		13.5%	Real Losses valued at Variable Production Cost
Operational	Apparent Losses per service connection per day:	19.19	gallons/connection/day
	Real Losses per service connection per day:	33.63	gallons/connection/day
	Real Losses per length of main per day*:	11.4	
	Real Losses per service connection per day per psi pressure:	0.25	gallons/connection/day/psi
From Above, Real Losses = Current Annual Real Losses (CARL):		45.32	million gallons/year
Infrastructure Leakage Index (ILI) [CARL/UARL]:		0.96	

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Miscellaneous Supplementary Information
June 30, 2016

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
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POPULATION

2013 State Official Census	8,363
2011 U.S. Census	7,554
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	422
Construction Value of Permits issued	\$ 17,312,589

FIRE PROTECTION

Number of stations	1
Number of employees	20.5
Number of trucks	6

POLICE PROTECTION

Number of employees	17.5
Vehicular patrol units	18
Signalized street intersections	1

PUBLIC WORKS

Miles of Town maintained streets	66.36
Number of solid waste customers (households)	2,996
Recycle materials (tons)	898.02

RECREATION

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

WATER FACILITIES

Number of water taps	3,745
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, 2016, 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 5, 2016.

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.

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

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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2016-001.

Town of Signal Mountain, Tennessee's Response to Findings

The Town of Signal Mountain, Tennessee's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Town of Signal Mountain, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on 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.

Chattanooga, Tennessee
December 5, 2016

Johnson, Murphree & Wright, P.C.

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Findings and Responses
June 30, 2016

SUMMARY OF AUDIT RESULTS

Opinion:

Unmodified 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:

One instance of noncompliance or other matters was disclosed.

FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

COMPLIANCE:

Finding 2016-001 - Unaltered Grant Costs for Personnel Overtime

Questioned Cost: \$2,294.11 Aggressive Driver Enforcement Grant Z15GH5321

Criteria:

The grant contracts' Section C.3 Payment Methodology states the grantee shall be reimbursed for.....costs based on the grant budget. All of the hours for this program were reimbursed as overtime and the departments' usual overtime policy was not followed.

Condition Found:

The Governor's Highway Safety Office's Highway Safety Grant Program Procedures Manual, section 2.7, Grant Personnel Costs, states that personnel expenses for overtime is allowable for hourly positions and non-exempt salaried employees based on their departmental policy for overtime.

The overtime hours invoiced and reimbursed were not based on the departmental policy for overtime.

Cause:

The policy of the Town has always been for police officers to work 43 hours in a 7 day period before overtime is paid. In addition, it has been the policy for police officers to get paid overtime for special services (i.e., parades, football games, and GHSO and other grant procedures). However, the part of the policy concerning special services was not in writing.

Effect:

The Town should correct its written overtime policy to include the policy for police special services that they have been following for many years. If the Town does not correct its policy, it could lead to more unallowed costs to be charged to the grant contract.

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Findings and Responses (Continued)
June 30, 2016

FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS (Continued)

COMPLIANCE: (Continued)

Finding 2016-001 - Unaltered Grant Costs for Personnel Overtime (Continued)

Management's Response:

The report is correct in indicating that the general overtime policy for police department personnel requires officers to work 43 hours in a 7 day pay period before overtime is paid for additional hours. However, in 2009 the Town passed an ordinance and thereby adopted a policy which allows officers to be paid overtime for all hours worked in voluntary special duty assignments. While not specifically addressed in the ordinance, the traffic enforcement details were handled under this policy because it was very evident that officers, motivated by the ability to earn overtime, were more willing to volunteer for the assignments and engage in the associated duties in a positive and productive manner.

In describing the *Manpower requirements and how they will be utilized*, the application submitted for this grant states: "Paid overtime to officers that are focused on reducing speeders, seatbelt violators, and DUI detection." Again, I do not dispute the fact that the general overtime policy has not been updated to incorporate the policy for voluntary special duty assignments. I simply wish to stress that the compensation of the officers was handled in a manner believed to be in keeping with an applicable policy and as indicated in the grant application. There was no thought of this being viewed as unallowable.

The general overtime policy will be updated to incorporate the related policy by drafting appropriate language, and presenting same as a resolution for Council approval. This process should conclude within 90 days. The police department will seek specific guidance from GHSA staff for any submissions/invoices prior to that resolution.

Given the totality of the circumstances, I am requesting that the costs in question be allowed and the Signal Mountain Police Department be released from any obligation for reimbursement.

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Prior Audit Findings
June 30, 2016

INTERNAL CONTROL:

None.

COMPLIANCE:

None.