



ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

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

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TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Roster of Board Members and Management
June 30, 2017

MayorChris J. Howley

Vice Mayor..... Dick Gee

Councilmember Dan Landrum

Councilmember Robert Spalding

CouncilmemberAmy Speek

Town Judge Tracy Cox
(February 18, 2017 to June 30, 2017)

Mark Rothberger
(July 1, 2016 to February 18, 2017)

Town Manager Boyd Veal

Town Attorney Phillip A. Noblett

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

II. FINANCIAL SECTION



Certified Public
Accountants

301 N. Market
Chattanooga, TN
37405

Office: 423-756-1170
Fax: 423-756-1436
www.jmw-cpa.com

Members
American Institute
of Certified
Public Accountants

Paul Johnson, III, CPA

Brian T. Wright, CPA

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, 2017, 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, 2017, and, the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of the TCRS and Schedule of Contributions Based on Participation in the Public Employee Pension Plan of the 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 November 29, 2017, 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
November 29, 2017

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, 2017. 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, 2017, by \$20,875,868 (net position). Of this amount \$10,057,199 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors. The Town has restricted \$40,499 for the new high school, \$20,320 for drug enforcement programs, \$566,874 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 \$670,614 for the purchase of mobile assets and \$331,790 for building construction.

The Town's governmental activities operated at a deficit of \$(119,031). The Town's business-type activities operated at a surplus of \$111,466.

As of the close of the current fiscal year, the Town of Signal Mountain, Tennessee's governmental funds reported combined ending fund balances of \$7,165,366.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,504,023, or 85.69%, 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 \$7,414,065. Of that balance \$4,394,091, or 59.27%, is unrestricted. The remaining 40.73%, or \$3,019,974 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 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 63.

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

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

Proprietary Funds

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water Fund 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 33 through 35 of this report.

Notes to the Financial Statements

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

Other Information

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Signal Mountain, Tennessee, assets and deferred outflows exceeded liabilities and deferred inflows by \$20,875,868 at the close of this fiscal year.

48.68 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 3.14%, or \$655,693, of the Town of Signal Mountain, Tennessee's net position represents resources that are subject to external restrictions on how they may be used. 48.18%, or \$10,057,199, in net position are unrestricted and can be used to meet the government's ongoing obligations.

At June 30, 2017, 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	
	2017	2016	2017	2016	2017	2016
Capital assets	\$ 8,690,927	\$ 8,076,999	\$ 3,019,974	\$ 2,970,887	\$ 11,710,901	\$ 11,047,886
Other assets	12,207,798	12,098,925	5,050,287	4,845,566	17,258,085	16,944,491
Total assets	<u>\$ 20,898,725</u>	<u>\$ 20,175,924</u>	<u>\$ 8,070,261</u>	<u>\$ 7,816,453</u>	<u>\$ 28,968,986</u>	<u>\$ 27,992,377</u>
Deferred outflows of resources	<u>\$ 825,267</u>	<u>\$ 618,782</u>	<u>\$ 102,000</u>	<u>\$ 76,479</u>	<u>\$ 927,267</u>	<u>\$ 695,261</u>
Long-term liabilities	\$ 3,166,003	\$ 2,102,006	\$ 405,150	\$ 344,364	\$ 3,571,153	\$ 2,446,370
Other liabilities	379,903	659,222	351,799	211,501	731,702	870,723
Total liabilities	<u>\$ 3,545,906</u>	<u>\$ 2,761,228</u>	<u>\$ 756,949</u>	<u>\$ 555,865</u>	<u>\$ 4,302,855</u>	<u>\$ 3,317,093</u>
Deferred inflows of resources	<u>\$ 4,716,283</u>	<u>\$ 4,452,644</u>	<u>\$ 1,247</u>	<u>\$ 34,468</u>	<u>\$ 4,717,530</u>	<u>\$ 4,487,112</u>
Net investment in capital assets	\$ 7,143,002	\$ 7,285,777	\$ 3,019,974	\$ 2,970,887	\$ 10,162,976	\$ 10,256,664
Restricted	655,693	439,089	-	-	655,693	439,089
Unrestricted	5,663,108	5,855,968	4,394,091	4,331,712	10,057,199	10,187,680
Total net position	<u>\$ 13,461,803</u>	<u>\$ 13,580,834</u>	<u>\$ 7,414,065</u>	<u>\$ 7,302,599</u>	<u>\$ 20,875,868</u>	<u>\$ 20,883,433</u>

Changes in Net Position

Governmental activities decreased the Town of Signal Mountain, Tennessee's net position by \$(119,031).

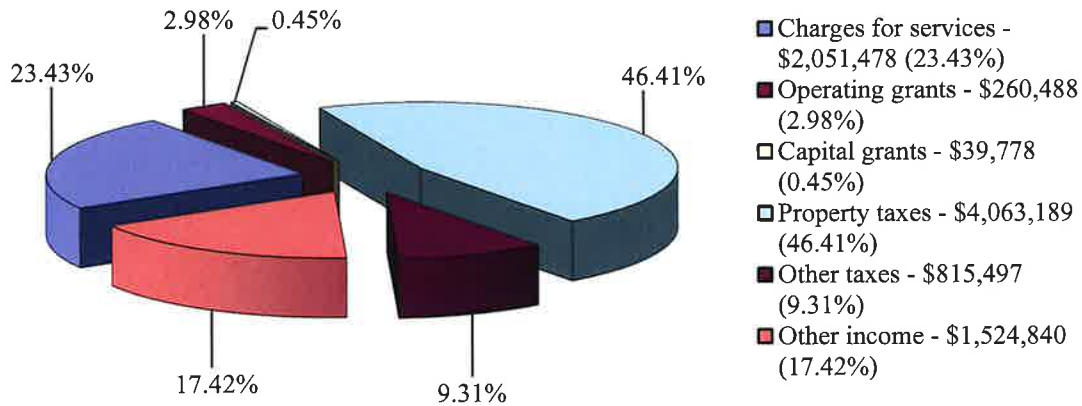
Business-type activities increased the Town of Signal Mountain, Tennessee's net position by \$111,466.

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

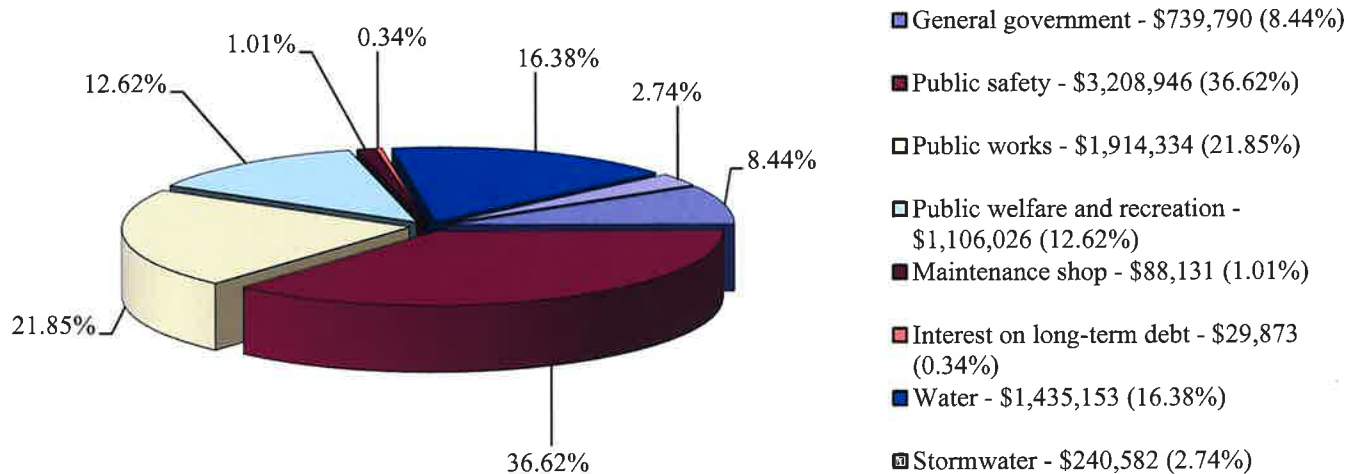
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 280,128	\$ 321,424	\$ 1,771,350	\$ 1,695,337	\$ 2,051,478	\$ 2,016,761
Operating grants and contributions	260,488	281,361	-	-	260,488	281,361
Capital grant and contributions	39,778	34,187	-	-	39,778	34,187
General revenues:						
Property taxes	4,063,189	4,064,407	-	-	4,063,189	4,064,407
Other taxes	815,497	775,171	-	-	815,497	775,171
Other income	<u>1,508,989</u>	<u>1,765,566</u>	<u>15,851</u>	<u>7,933</u>	<u>1,524,840</u>	<u>1,773,499</u>
Total revenues	<u>6,968,069</u>	<u>7,242,116</u>	<u>1,787,201</u>	<u>1,703,270</u>	<u>8,755,270</u>	<u>8,945,386</u>
Expenses:						
General government	739,790	823,958	-	-	739,790	823,958
Public safety	3,208,946	2,819,562	-	-	3,208,946	2,819,562
Public works	1,914,334	2,119,124	-	-	1,914,334	2,119,124
Public welfare and recreation	1,106,026	1,001,974	-	-	1,106,026	1,001,974
Maintenance shop	88,131	81,873	-	-	88,131	81,873
Interest on long-term debt	29,873	11,086	-	-	29,873	11,086
Water	-	-	1,435,153	1,319,453	1,435,153	1,319,453
Stormwater	-	-	<u>240,582</u>	<u>241,583</u>	<u>240,582</u>	<u>241,583</u>
Total expenses	<u>7,087,100</u>	<u>6,857,577</u>	<u>1,675,735</u>	<u>1,561,036</u>	<u>8,762,835</u>	<u>8,418,613</u>
Increase in net position	(119,031)	384,539	111,466	142,234	(7,565)	526,773
Net position - beginning	<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>
Net position - end	<u>\$ 13,461,803</u>	<u>\$ 13,580,834</u>	<u>\$ 7,414,065</u>	<u>\$ 7,302,599</u>	<u>\$ 20,875,868</u>	<u>\$ 20,883,433</u>

The graphs below summarize the \$8,755,270 of town-wide revenue by source and the associated \$8,762,835 of expense by program. The graphs combine data from both governmental and business-type activities.

Town-Wide Sources of Revenue

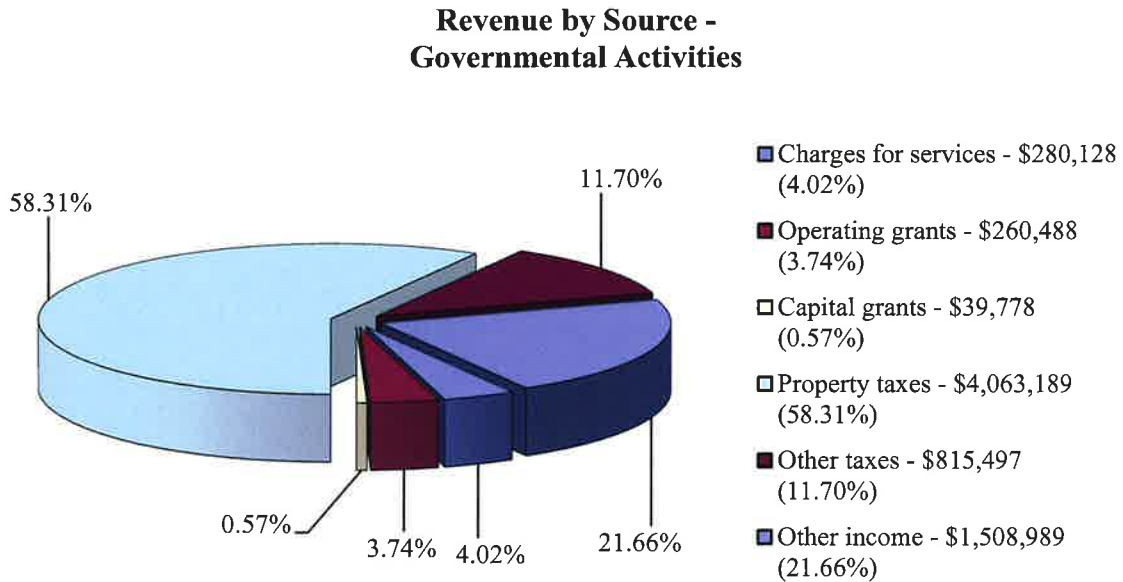


Town-Wide Program Expenses

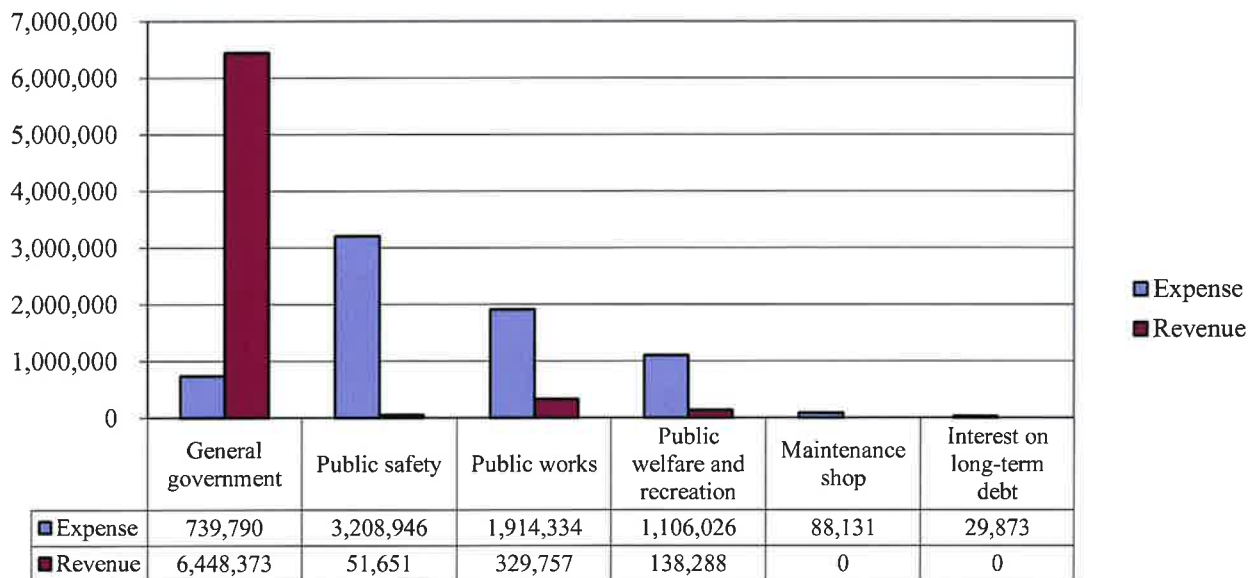


Governmental Activities

Governmental activities accounted for revenues of \$6,968,069. The following graph summarizes revenue by source.

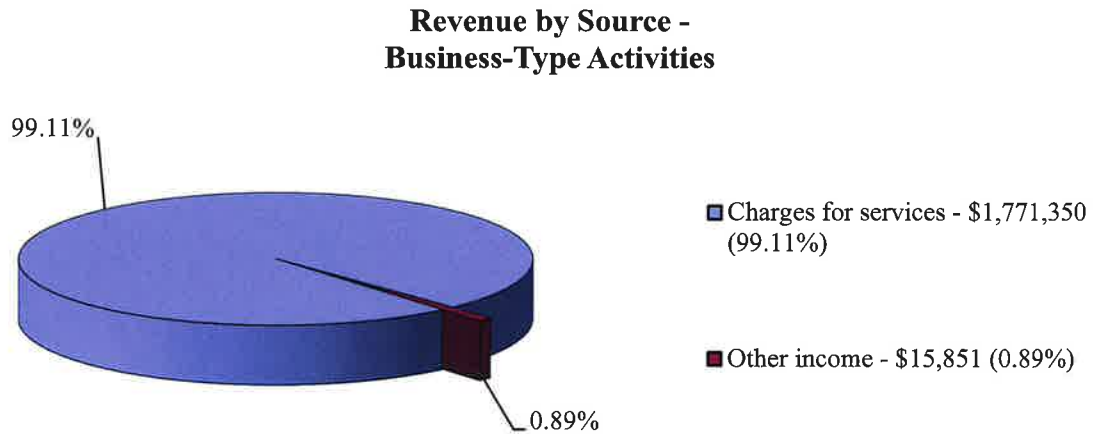


Expenses and Program Revenues - Governmental Activities

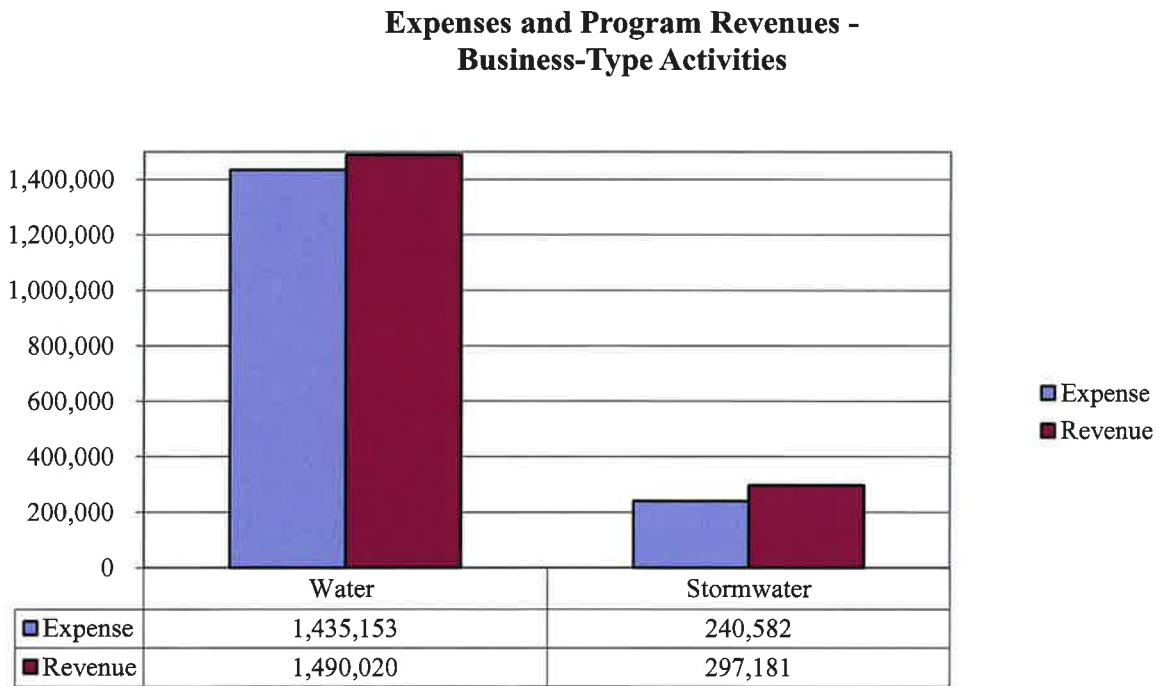


Business-type Activities

Business-type activities accounted for revenues of \$1,787,201. 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 \$7,165,366. Approximately 76.81% of this total amount, or \$5,504,023, constitutes unassigned fund balance. Committed funds consist of \$670,614 for the purchase of mobile assets and \$331,790 for building construction. Restricted funds consist of \$40,499 for debt service payments on the new middle/high school, \$566,874 for the use of street expenditures and \$20,320 for use in investigations of drug-related violations, drug prevention programs and \$28,000 for Mountain Arts expenditures. Nonspendable funds consist of \$3,246 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 \$5,504,023. 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 85.69% 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 \$3,573,087 for the Water Fund and \$821,004 for the Stormwater Fund.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were approximately \$(311,033), and are listed below:

General Fund budgeted revenues decreased \$117,399.

General Fund budgeted expenditures increased \$82,590.

General Fund budgeted transfers out increased \$111,044.

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)

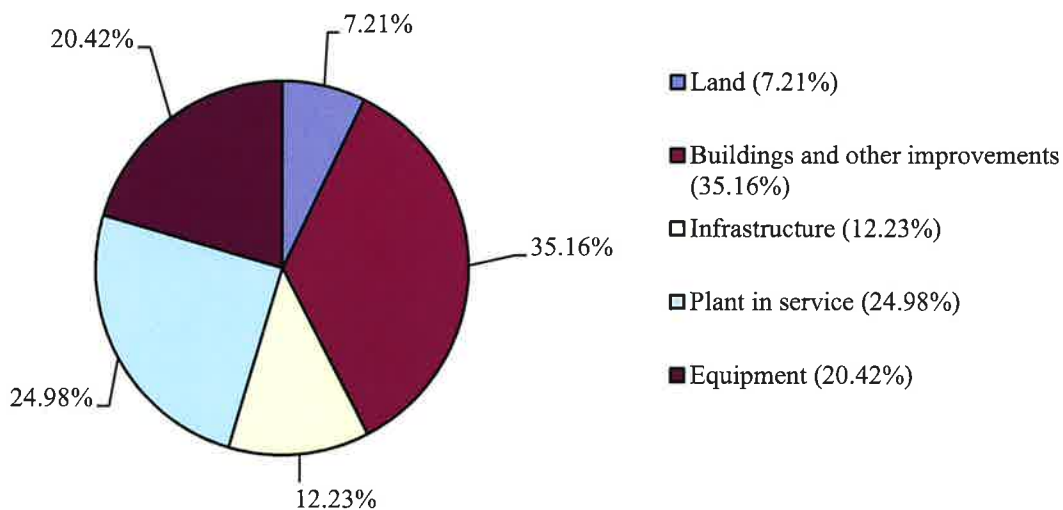
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 844,313	\$ 844,313	\$ -	\$ -	\$ 844,313	\$ 844,313
Buildings and other improvements	4,118,126	3,430,389	-	-	4,118,126	3,430,389
Infrastructure	1,432,722	1,456,968	-	-	1,432,722	1,456,968
Plant in service	-	-	2,925,516	2,827,993	2,925,516	2,827,993
Equipment	2,295,766	2,345,329	94,458	142,894	2,390,224	2,488,223
Total capital assets	\$ 8,690,927	\$ 8,076,999	\$ 3,019,974	\$ 2,970,887	\$ 11,710,901	\$11,047,886

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

Building - 714 Mississippi	\$ 756,311
James Boulevard water lines	\$ 220,328
7400 International boom	\$ 133,173
Shackelford fire station	\$ 93,730
2016 Ford F250	\$ 40,053

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

Town-Wide Capital Assets



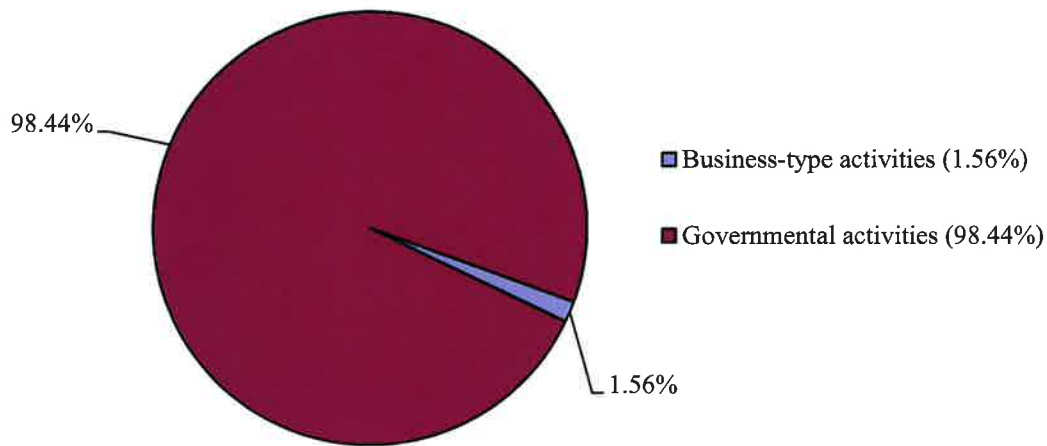
Additional information on the Town of Signal Mountain, Tennessee's capital assets can be found in Note 8 on page 46 and 47 of this report.

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 \$1,842,332; of that amount \$93,948 is due in the next fiscal year.

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Capital outlay notes	\$ 1,641,873	\$ 1,231,170	\$ -	\$ -	\$ 1,641,873	\$ 1,231,170
Compensated absences	171,682	176,490	28,777	26,597	200,459	203,087
Current portion	(93,948)	(346,000)	-	-	(93,948)	(346,000)
Total long-term debt	<u>\$ 1,719,607</u>	<u>\$ 1,061,660</u>	<u>\$ 28,777</u>	<u>\$ 26,597</u>	<u>\$ 1,748,384</u>	<u>\$ 1,088,257</u>

Long-Term Debt By Activity



Additional information on outstanding debt can be found in Note 10 on pages 48 and 49.

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, 2017, \$93,948 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 48. This schedule reflects an assumed 5% interest rate. Actual interest payments may vary from those scheduled based on future market conditions.

Currently Known Conditions Affecting Future Years (Continued)

As of June 30, 2017, \$40,499 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 2016-2017, the restricted tax collection was \$.15 per \$100 of assessed property value. In fiscal year 2017-2018, the special property tax assessment will be discontinued and the final principal payment for the 2007 loan will be made in October 2017, 10 years earlier than the debt payment requirement.

In 2015, the Town obtained a variable rate 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 48. Costs associated with the construction of a public works facility and initial ground work for the fire station resulted in a drawdown of \$1,817,925 by the end of fiscal year 2016-2017.

In fiscal year 2017-2018, the Town will obtain a fixed rate loan agreement with the City of Clarksville's Public Building Authority in the amount of \$3,000,000. The purpose of this loan will be to fund the acquisition, construction and equipping of a new fire station for the Town, including the acquisition of land, the acquisition of a fire truck and other related fire equipment and vehicles, the acquisition of all other property real and personal appurtenant thereto or connected with such work, paying all legal, fiscal, administrative, planning and engineering costs incident thereto. The loan agreement provides for one principal payment per year and bi-annual fixed rate interest payments. Additional principal payments are permitted.

Due to additional debt service obligations, as well as the loss of revenue generated by the Hall Tax, and increased operational costs, the Town Council has determined that for the purpose of raising revenue to operate the various departments, agencies, boards, commissions, offices, divisions or branches of the municipal government, and to pay the interest on and retire bonds of the Town as they mature, an additional \$.032 of property tax above the certified tax rate (1.396517345) is necessitated.

Therefore, a tax has been levied for the year 2017 on all taxable property within the Town of Signal Mountain, Tennessee, at the rate of \$1.5665 upon every \$100 in assessed value of such taxable property and to the extent applicable, a tax at the same rate upon every \$100 of merchant and other ad valorem taxable items within the corporate limits of the Town of Signal Mountain, Tennessee.

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, 2017

	Primary Government			Component Unit
	Governmental	Business-type	Total	Public Library
	Activities	Activities		Board
ASSETS				
Current assets				
Cash	\$ 2,543,910	\$ 2,500,135	\$ 5,044,045	\$ 26,600
Investments	3,980,416	2,133,640	6,114,056	-
Property taxes - net	4,763,229	-	4,763,229	-
Grants receivable	16,655	-	16,655	-
Receivable - net	32,804	351,753	384,557	-
Due from other governments	794,342	-	794,342	-
Internal balance	32,697	(32,697)	-	-
Inventories	3,246	89,562	92,808	-
Total current assets	<u>12,167,299</u>	<u>5,042,393</u>	<u>17,209,692</u>	<u>26,600</u>
Non-current assets				
Other assets				
Investments - restricted	40,499	-	40,499	-
Customer lists - Walden's Ridge - net	-	7,894	7,894	-
Total other assets	<u>40,499</u>	<u>7,894</u>	<u>48,393</u>	<u>-</u>
Capital assets				
Land and construction in progress	844,313	-	844,313	-
Other capital assets - net of depreciation	7,846,614	3,019,974	10,866,588	-
Total capital assets	<u>8,690,927</u>	<u>3,019,974</u>	<u>11,710,901</u>	<u>-</u>
Total non-current assets	<u>8,731,426</u>	<u>3,027,868</u>	<u>11,759,294</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 20,898,725</u>	<u>\$ 8,070,261</u>	<u>\$ 28,968,986</u>	<u>\$ 26,600</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	<u>\$ 825,267</u>	<u>\$ 102,000</u>	<u>\$ 927,267</u>	<u>\$ -</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 175,500	\$ 343,643	\$ 519,143	\$ -
Payable to pension	37,598	-	37,598	-
Accrued liabilities	72,857	8,156	81,013	-
Notes payable - due in one year	93,948	-	93,948	-
Total current liabilities	<u>379,903</u>	<u>351,799</u>	<u>731,702</u>	<u>-</u>
Non-current liabilities				
Customer deposits	-	197,605	197,605	-
Notes payable	1,547,925	-	1,547,925	-
Compensated absences payable	171,682	28,777	200,459	-
Net pension liability	1,446,396	178,768	1,625,164	-
Total non-current liabilities	<u>3,166,003</u>	<u>405,150</u>	<u>3,571,153</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 3,545,906</u>	<u>\$ 756,949</u>	<u>\$ 4,302,855</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	\$ 10,083	\$ 1,247	\$ 11,330	\$ -
Deferred revenue - property taxes	4,706,200	-	4,706,200	-
Total deferred inflows of resources	<u>\$ 4,716,283</u>	<u>\$ 1,247</u>	<u>\$ 4,717,530</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 7,143,002	\$ 3,019,974	\$ 10,162,976	\$ -
Restricted for Mountain Arts	28,000	-	28,000	-
Restricted for debt service	40,499	-	40,499	-
Restricted for drug enforcement program	20,320	-	20,320	-
Restricted for state street aid	566,874	-	566,874	-
Unrestricted	5,663,108	4,394,091	10,057,199	26,600
TOTAL NET POSITION	<u>\$ 13,461,803</u>	<u>\$ 7,414,065</u>	<u>\$ 20,875,868</u>	<u>\$ 26,600</u>

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Statement of Activities
Year Ended June 30, 2017

Functions/Programs:	Net (Expense) Revenue and Changes in Net Position					Component Unit
	Program Revenues			Primary Government		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
Primary Government						
Governmental activities:						
General government						
Judicial	\$ 368,520	\$ -	\$ -	\$ -	\$ (368,520)	\$ -
Financial administration	234,159	-	-	-	(234,159)	(234,159)
Building inspection	137,111	60,698	-	-	(76,413)	(76,413)
Public safety						
Police department	1,498,262	47,651	4,000	-	(1,446,611)	(1,446,611)
Fire department	1,710,684	-	-	-	(1,710,684)	(1,710,684)
Highway and streets						
Public works administration	88,856	-	-	-	(88,856)	(88,856)
Highway and street maintenance	1,183,679	-	253,790	39,778	(890,111)	(890,111)
Sanitation						
Solid waste department	584,030	33,098	-	-	(550,932)	(550,932)
Recycle center	57,769	3,091	-	-	(54,678)	(54,678)
Public welfare and recreation						
Recreation	733,160	92,175	2,441	-	(638,544)	(638,544)
Mountain Arts Community Center	173,747	32,060	257	-	(141,430)	(141,430)
Library	199,119	11,355	-	-	(187,764)	(187,764)
Maintenance shop	88,131	-	-	-	(88,131)	(88,131)
Interest on long-term debt	29,873	-	-	-	(29,873)	(29,873)
Total governmental activities	7,087,100	280,128	260,488	39,778	(6,506,706)	(6,506,706)
Business-type activities:						
Water	1,435,153	1,474,679	-	-	39,526	39,526
Stormwater	240,582	296,671	-	-	56,089	56,089
Total business-type activities	1,675,735	1,771,350	-	-	95,615	95,615
Total primary government	\$ 8,762,835	\$ 2,051,478	\$ 260,488	\$ 39,778	(6,411,091)	(6,411,091)
Component Unit						
Library Board	\$ 2,435	\$ 9,023	\$ -	\$ -	-	6,588
General Revenues:						
Property taxes, interest and penalty				4,063,189	-	4,063,189
Public utilities taxes				138,134	-	138,134
Sales taxes				367,046	-	367,046
Franchise tax				172,806	-	172,806
Business taxes				48,921	-	48,921
Alcoholic beverages taxes				88,590	-	88,590
Grants and contributions not restricted to specific programs				1,396,200	-	1,396,200
Investment income				26,614	15,851	42,465
Rent on land				57,742	-	57,742
Miscellaneous				28,433	-	28,433
Total general revenues				6,387,675	15,851	6,403,526
Change in net position				(119,031)	111,466	(7,565)
Net position - beginning				13,580,834	7,302,599	20,883,433
Net position - end				\$ 13,461,803	\$ 7,414,065	\$ 20,875,868

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	Capital Projects Building Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 1,100,336	\$ 371,953	\$ 1,071,621	\$ 2,543,910
Investments	3,788,249	-	192,167	3,980,416
Investments - restricted	40,499	-	-	40,499
Property taxes - net	4,763,229	-	-	4,763,229
Grants receivable	16,655	-	-	16,655
Receivable - net	32,804	-	-	32,804
Inventory	3,246	-	-	3,246
Due from other funds	73,816	-	10,313	84,129
Due from other governments	754,104	-	40,238	794,342
TOTAL ASSETS	<u>\$10,572,938</u>	<u>\$ 371,953</u>	<u>\$ 1,314,339</u>	<u>\$ 12,259,230</u>
LIABILITIES				
Accounts payable	\$ 119,925	\$ 40,163	\$ 15,412	\$ 175,500
Payable to pension	37,598	-	-	37,598
Accrued liabilities	72,857	-	-	72,857
Due to other funds	10,313	-	41,119	51,432
TOTAL LIABILITIES	<u>\$ 240,693</u>	<u>\$ 40,163</u>	<u>\$ 56,531</u>	<u>\$ 337,387</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	<u>\$ 4,756,477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,756,477</u>
FUND BALANCES				
Nonspendable	\$ 3,246	\$ -	\$ -	\$ 3,246
Restricted	68,499	-	587,194	655,693
Committed	-	331,790	670,614	1,002,404
Unassigned	<u>5,504,023</u>	<u>-</u>	<u>-</u>	<u>5,504,023</u>
TOTAL FUND BALANCES	<u>\$ 5,575,768</u>	<u>\$ 331,790</u>	<u>\$ 1,257,808</u>	<u>\$ 7,165,366</u>

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Total fund balances per governmental funds balance sheet	\$ 7,165,366
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,690,927
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.	(1,813,555)
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.	(631,212)
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>50,277</u>
Net position of governmental activities	<u>\$ 13,461,803</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, 2017

	General Fund	Capital Projects Building Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$4,702,808	\$ -	\$ -	\$ 4,702,808
Licenses and permits	60,673	-	-	60,673
Intergovernmental	1,447,161	-	241,789	1,688,950
Charges for services	236,126	-	-	236,126
Fines and forfeitures	36,083	-	569	36,652
Other revenues	<u>239,329</u>	<u>140</u>	<u>319</u>	<u>239,788</u>
TOTAL REVENUES	<u>6,722,180</u>	<u>140</u>	<u>242,677</u>	<u>6,964,997</u>
EXPENDITURES				
Current Expenditures				
General government	719,046	-	-	719,046
Public safety	2,979,892	-	3,429	2,983,321
Public works	1,046,463	-	632,104	1,678,567
Public welfare and recreation	999,315	-	-	999,315
Maintenance shop	86,336	-	-	86,336
Capital Outlay	80,190	850,041	348,377	1,278,608
Debt Service	<u>511,873</u>	<u>-</u>	<u>-</u>	<u>511,873</u>
TOTAL EXPENDITURES	<u>6,423,115</u>	<u>850,041</u>	<u>983,910</u>	<u>8,257,066</u>
Excess (deficiency) of revenues over (under) expenditures	<u>299,065</u>	<u>(849,901)</u>	<u>(741,233)</u>	<u>(1,292,069)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from debt issuance	-	892,703	-	892,703
Transfers in	-	-	1,105,032	1,105,032
Transfers out	<u>(1,105,032)</u>	<u>-</u>	<u>-</u>	<u>(1,105,032)</u>
Total other financing sources (uses)	<u>(1,105,032)</u>	<u>892,703</u>	<u>1,105,032</u>	<u>892,703</u>
Net changes in fund balances	(805,967)	42,802	363,799	(399,366)
Fund balances - beginning	<u>6,381,735</u>	<u>288,988</u>	<u>894,009</u>	<u>7,564,732</u>
Fund balances - end	<u>\$5,575,768</u>	<u>\$ 331,790</u>	<u>\$ 1,257,808</u>	<u>\$ 7,165,366</u>

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2017

Net change in fund balances for total governmental funds	\$ (399,366)
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 expense in the current period.	613,928
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	3,072
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.	482,000
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.	(892,703)
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.	69,230
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>4,808</u>
Change in net position of governmental activities	<u>\$ (119,031)</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, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes				
Property taxes	\$ 4,025,775	\$ 4,025,775	\$ 4,044,665	\$ 18,890
Interest and penalties	9,000	9,000	15,452	6,452
Public utilities	95,000	95,000	113,284	18,284
In lieu - water fund	25,000	25,000	24,850	(150)
Local option sales taxes	350,000	350,000	367,046	17,046
Wholesale beer tax	65,000	65,000	88,590	23,590
Minimum business taxes	4,800	4,800	6,372	1,572
Gross receipts tax	35,000	35,000	42,549	7,549
Total taxes	4,609,575	4,609,575	4,702,808	93,233
License and permits				
Beer and liquor license	2,220	2,220	1,770	(450)
Building permits	45,300	45,300	58,618	13,318
Other permits	225	225	285	60
Total license and permits	47,745	47,745	60,673	12,928
Intergovernmental				
Federal grants	39,600	28,500	34,069	5,569
TVA replacement	95,000	95,000	94,359	(641)
Fire and police supplemental	15,700	15,100	18,000	2,900
State sales tax	625,500	625,500	693,686	68,186
State income tax and excise tax	752,500	629,000	560,655	(68,345)
State beer tax	4,000	4,000	4,038	38
Mixed drink tax	8,000	11,720	25,462	13,742
Streets and transportation	15,000	15,000	16,892	1,892
Total intergovernmental	1,555,300	1,423,820	1,447,161	23,341
Charges for services				
Sanitation charges for service	47,000	47,000	31,537	(15,463)
Police special services	7,000	7,000	7,550	550
Fingerprint fees	-	3,500	3,450	(50)
Library charges	6,248	6,248	11,355	5,107
Recreation activities	103,250	103,250	92,175	(11,075)
Mountain Arts Community Center	43,900	31,481	32,317	836
Rent	50,878	50,878	57,742	6,864
Total charges for services	258,276	249,357	236,126	(13,231)
Fines and forfeitures				
City court revenues	35,000	35,000	36,083	1,083

(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, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES (Continued)				
Other revenue				
Interest earnings	\$ 8,100	\$ 8,100	\$ 26,155	\$ 18,055
Insurance recovery	-	-	3,260	3,260
CATV franchise	137,000	137,000	172,806	35,806
Sale of materials and supplies	25,000	25,000	4,581	(20,419)
Miscellaneous	15,050	38,050	21,016	(17,034)
Contributions and donations	17,000	17,000	11,511	(5,489)
Total other revenue	<u>202,150</u>	<u>225,150</u>	<u>239,329</u>	<u>14,179</u>
TOTAL REVENUES	<u>6,708,046</u>	<u>6,590,647</u>	<u>6,722,180</u>	<u>131,533</u>
EXPENDITURES				
Current Expenditures				
General government				
Judicial				
Salaries	35,875	35,875	35,949	(74)
Payroll taxes	2,744	2,744	2,699	45
Fringe benefits	4,258	4,308	2,398	1,910
Pension expense	1,781	1,781	1,791	(10)
Insurance	254	514	515	(1)
Miscellaneous	25	25	-	25
Office supplies	700	700	667	33
Operating supplies	5,698	6,088	4,441	1,647
Postage and printing	125	125	44	81
Professional services	2,800	2,150	285	1,865
Repairs and maintenance	30	30	-	30
Telephone and other communications	300	300	248	52
Travel and training	100	100	64	36
Total judicial	<u>54,690</u>	<u>54,740</u>	<u>49,101</u>	<u>5,639</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, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
General government (Continued)				
Administration				
Salaries	\$ 139,327	\$ 139,327	\$ 146,316	\$ (6,989)
Payroll taxes	10,766	10,766	11,155	(389)
Fringe benefits	23,724	32,024	43,097	(11,073)
Pension expense	12,004	12,004	12,195	(191)
Insurance	2,763	10,113	6,757	3,356
Miscellaneous	18,850	33,350	12,083	21,267
Office supplies	3,200	2,200	1,702	498
Operating supplies	2,309	3,109	2,564	545
Postage and printing	7,380	8,580	7,142	1,438
Professional services	55,500	89,980	70,229	19,751
Repairs and maintenance	1,560	1,560	332	1,228
Telephone and other communications	750	1,150	1,113	37
Travel and training	6,500	6,700	3,928	2,772
Utilities	5,125	6,475	5,727	748
Total administration	289,758	357,338	324,340	32,998
Finance				
Salaries	98,658	98,658	98,973	(315)
Payroll taxes	7,593	7,593	7,305	288
Fringe benefits	16,134	16,134	15,531	603
Pension expense	8,467	8,467	8,468	(1)
Insurance	1,792	2,026	1,983	43
Miscellaneous	5,750	5,750	4,465	1,285
Office supplies	3,800	5,300	2,136	3,164
Operating supplies	27,187	31,037	32,144	(1,107)
Postage and printing	11,050	11,050	6,402	4,648
Professional services	23,400	23,400	23,221	179
Repairs and maintenance	750	641	264	377
Telephone and other communications	858	858	591	267
Travel and training	4,000	2,525	1,697	828
Utilities	5,325	5,825	4,966	859
Total finance	214,764	219,264	208,146	11,118

(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, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
General government (Continued)				
Building and codes				
Salaries	\$ 85,678	\$ 85,678	\$ 86,196	\$ (518)
Payroll taxes	6,554	6,554	6,288	266
Fringe benefits	13,448	17,688	16,708	980
Pension expense	8,999	8,949	7,370	1,579
Insurance	4,393	5,213	5,166	47
Office supplies	1,000	1,000	843	157
Operating supplies	4,938	4,628	4,874	(246)
Postage and printing	3,700	3,700	251	3,449
Professional services	5,000	5,000	235	4,765
Repairs and maintenance	3,020	2,620	3,535	(915)
Telephone and other communications	2,500	3,800	3,401	399
Travel and training	3,000	2,900	1,364	1,536
Vehicle expense	1,500	1,500	1,228	272
Total building and codes	<u>143,730</u>	<u>149,230</u>	<u>137,459</u>	<u>11,771</u>
Total general government	<u>702,942</u>	<u>780,572</u>	<u>719,046</u>	<u>61,526</u>
Public safety				
Police				
Salaries	834,360	806,125	814,135	(8,010)
Payroll taxes	63,829	62,174	58,886	3,288
Fringe benefits	119,691	165,282	161,765	3,517
Pension expense	99,825	97,224	95,403	1,821
Animal control	10,000	10,500	9,900	600
Contract services	70,523	76,142	73,731	2,411
Insurance	46,410	55,709	55,270	439
Miscellaneous	700	100	77	23
Office supplies	2,000	2,300	2,945	(645)
Operating supplies	55,688	64,921	63,433	1,488
Postage and printing	3,300	3,781	3,413	368
Repairs and maintenance	15,180	12,385	10,390	1,995
Telephone and other communications	15,155	15,155	13,796	1,359
Travel and training	9,000	9,278	9,694	(416)
Utilities	6,200	7,200	6,618	582
Vehicle expense	43,200	38,767	32,931	5,836
Total police	<u>1,395,061</u>	<u>1,427,043</u>	<u>1,412,387</u>	<u>14,656</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, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public safety (Continued)				
Fire protection and control services				
Salaries	\$ 911,353	\$ 911,353	\$ 919,236	\$ (7,883)
Payroll taxes	69,718	69,518	65,938	3,580
Fringe benefits	158,347	214,272	227,028	(12,756)
Pension expense	108,548	108,548	102,231	6,317
Contract services	59,309	59,309	59,309	-
Insurance	40,411	48,811	48,959	(148)
Miscellaneous	10,500	10,150	7,361	2,789
Office supplies	1,400	1,900	1,803	97
Operating supplies	72,934	72,434	64,829	7,605
Postage and printing	2,950	3,800	3,306	494
Repairs and maintenance	24,430	24,930	23,060	1,870
Telephone and other communications	6,300	6,300	4,157	2,143
Travel and training	16,000	16,000	15,769	231
Utilities	13,400	13,400	12,845	555
Vehicle expense	13,500	13,500	11,674	1,826
Total fire protection and control services	1,509,100	1,574,225	1,567,505	6,720
Total public safety	2,904,161	3,001,268	2,979,892	21,376
Public works				
Public works administration				
Salaries	79,445	79,445	53,033	26,412
Payroll taxes	6,078	6,078	3,549	2,529
Fringe benefits	17,380	17,430	15,937	1,493
Pension expense	6,777	6,777	4,560	2,217
Insurance	1,734	1,734	1,711	23
Miscellaneous	500	500	-	500
Office supplies	700	800	711	89
Operating supplies	1,488	5,818	5,663	155
Postage and printing	1,250	1,250	830	420
Professional services	1,000	320	351	(31)
Repairs and maintenance	600	350	74	276
Telephone and other communications	450	450	477	(27)
Travel and training	2,500	2,500	1,972	528
Utilities	150	1,600	1,384	216
Vehicle expense	600	600	324	276
Total public works administration	120,652	125,652	90,576	35,076

(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, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public works (Continued)				
Highway and street maintenance				
Salaries	\$ 214,837	\$ 164,837	\$ 152,398	\$ 12,439
Payroll taxes	16,435	16,235	10,728	5,507
Fringe benefits	63,538	83,738	90,174	(6,436)
Pension expense	18,326	13,326	12,921	405
Insurance	23,985	25,170	24,168	1,002
Miscellaneous	300	300	275	25
Office supplies	150	150	28	122
Operating supplies	8,614	8,214	6,742	1,472
Paving and road repair	39,550	39,550	25,864	13,686
Postage and printing	1,000	1,000	800	200
Repairs and maintenance	27,500	27,500	34,741	(7,241)
Telephone and other communications	2,500	2,500	2,034	466
Travel and training	2,000	2,200	2,165	35
Vehicle expense	26,100	25,900	21,048	4,852
Total highway and street maintenance	<u>444,835</u>	<u>410,620</u>	<u>384,086</u>	<u>26,534</u>
Solid waste department				
Salaries	194,820	224,820	223,156	1,664
Payroll taxes	14,903	15,253	15,660	(407)
Fringe benefits	12,661	24,811	24,772	39
Pension expense	13,774	18,774	17,437	1,337
Contract services	40,000	35,000	27,628	7,372
Insurance	15,665	16,030	15,091	939
Landfill - hauling services	50,000	50,000	51,992	(1,992)
Landfill services	90,000	90,000	85,039	4,961
Miscellaneous	3,000	3,125	2,710	415
Office supplies	300	550	-	550
Operating supplies	2,751	2,501	1,682	819
Postage and printing	1,350	1,350	969	381
Repair and maintenance	24,300	25,800	21,187	4,613
Telephone and other communications	500	500	225	275
Travel and training	1,500	1,500	570	930
Vehicle expense	<u>50,300</u>	<u>41,525</u>	<u>25,914</u>	<u>15,611</u>
Total solid waste department	<u>515,824</u>	<u>551,539</u>	<u>514,032</u>	<u>37,507</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, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public works (Continued)				
Recycling centers				
Salaries	\$ 8,028	\$ 8,028	\$ 8,344	\$ (316)
Payroll taxes	614	614	589	25
Fringe benefits	1,220	2,720	2,624	96
Pension expense	685	835	766	69
Contract services	45,000	45,000	40,436	4,564
Insurance	985	1,117	1,099	18
Operating supplies	1,200	1,250	1,256	(6)
Repair and maintenance	7,500	1,200	815	385
Telephone and other communications	600	600	519	81
Utilities	1,050	2,250	1,321	929
Total recycling centers	66,882	63,614	57,769	5,845
Total public works	1,148,193	1,151,425	1,046,463	104,962
Public welfare and recreation				
Mountain Arts Community Center				
Salaries	85,499	85,499	74,707	10,792
Payroll taxes	6,540	6,540	5,618	922
Fringe benefits	7,266	7,266	6,846	420
Pension expense	4,078	4,078	4,058	20
Contract services	1,750	1,000	891	109
Insurance	5,179	4,979	4,961	18
Miscellaneous	600	-	160	(160)
Office supplies	1,500	1,000	918	82
Operating supplies	16,153	7,448	5,799	1,649
Postage and printing	9,910	6,605	5,032	1,573
Professional services	3,500	-	-	-
Repairs and maintenance	12,300	4,850	4,558	292
Telephone and other communications	2,000	1,850	1,572	278
Travel and training	1,250	150	50	100
Utilities	22,000	28,500	25,250	3,250
Vehicle expense	50	-	-	-
Total Mountain Arts Community Center	179,575	159,765	140,420	19,345

(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, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public welfare and recreation (Continued)				
Recreation administration				
Salaries	\$ 52,264	\$ 52,264	\$ 52,459	\$ (195)
Payroll taxes	3,998	3,998	3,969	29
Fringe benefits	742	1,054	238	816
Pension expense	4,795	4,458	4,508	(50)
Insurance	1,158	1,383	1,197	186
Miscellaneous	100	404	642	(238)
Office supplies	1,000	1,000	1,318	(318)
Postage and printing	3,400	3,296	3,065	231
Repairs and maintenance	-	-	18	(18)
Telephone and other communications	2,000	1,875	1,601	274
Travel and training	2,500	1,300	196	1,104
Utilities	1,000	1,925	1,362	563
Total recreation administration	<u>72,957</u>	<u>72,957</u>	<u>70,573</u>	<u>2,384</u>
Pool				
Salaries	44,396	43,796	43,206	590
Payroll tax	3,396	3,896	3,296	600
Pension expense	-	50	46	4
Insurance	3,611	3,661	3,547	114
Miscellaneous	1,500	1,500	1,449	51
Office supplies	600	600	128	472
Operating supplies	13,400	20,400	23,315	(2,915)
Repairs and maintenance	17,000	21,880	23,731	(1,851)
Telephone and other communications	400	520	485	35
Utilities	29,000	28,000	27,213	787
Total pool	<u>113,303</u>	<u>124,303</u>	<u>126,416</u>	<u>(2,113)</u>
Concessions				
Salaries	6,200	6,200	9,749	(3,549)
Payroll tax	474	474	746	(272)
Insurance	404	404	397	7
Operating supplies	<u>5,000</u>	<u>5,000</u>	<u>6,040</u>	<u>(1,040)</u>
Total concessions	<u>12,078</u>	<u>12,078</u>	<u>16,932</u>	<u>(4,854)</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, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public welfare and recreation (Continued)				
Parks and recreation maintenance				
Salaries	\$ 97,683	\$ 103,208	\$ 105,532	\$ (2,324)
Payroll taxes	7,473	7,473	7,699	(226)
Fringe benefits	25,422	26,482	24,885	1,597
Pension expense	6,920	6,920	7,227	(307)
Insurance	5,517	5,827	5,827	-
Miscellaneous	-	150	81	69
Operating supplies	8,600	9,211	9,072	139
Repairs and maintenance	28,500	34,500	27,526	6,974
Telephone and other communications	-	1,200	886	314
Utilities	4,400	3,500	2,904	596
Vehicle expense	6,500	6,500	5,700	800
Total parks and recreation maintenance	191,015	204,971	197,339	7,632
Tennis courts				
Insurance	1,496	1,496	1,336	160
Operating supplies	2,700	2,700	773	1,927
Repairs and maintenance	4,000	4,000	3,219	781
Utilities	1,000	1,000	1,424	(424)
Total tennis courts	9,196	9,196	6,752	2,444
Ballfield				
Insurance	1,346	1,196	1,192	4
Operating supplies	6,500	11,000	5,421	5,579
Professional services	600	600	146	454
Repairs and maintenance	23,000	16,550	13,377	3,173
Utilities	8,200	10,300	11,023	(723)
Total ballfield	39,646	39,646	31,159	8,487
Gym				
Salaries	25,122	23,502	23,350	152
Payroll taxes	1,922	1,922	1,786	136
Pension expense	-	10	2	8
Insurance	2,473	2,686	2,672	14
Operating supplies	5,500	6,550	6,266	284
Repairs and maintenance	4,000	3,597	3,727	(130)
Utilities	10,200	11,750	12,147	(397)
Total gym	49,217	50,017	49,950	67

(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, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public welfare and recreation (Continued)				
Facilities maintenance				
Salaries	\$ 33,045	\$ 24,203	\$ 19,713	\$ 4,490
Payroll taxes	2,528	2,528	1,477	1,051
Fringe benefits	7,068	7,068	3,697	3,371
Pension expense	2,819	2,819	1,694	1,125
Professional services	10,000	24,120	16,491	7,629
Insurance	2,164	2,523	2,690	(167)
Miscellaneous	150	-	-	-
Office supplies	150	150	-	150
Operating supplies	13,300	3,600	3,779	(179)
Postage and printing	300	150	44	106
Repairs and maintenance	71,185	75,498	126,282	(50,784)
Telephone	500	500	427	73
Travel and training	300	300	-	300
Vehicle expense	1,000	1,000	381	619
Total facilities maintenance	<u>144,509</u>	<u>144,459</u>	<u>176,675</u>	<u>(32,216)</u>
Library				
Salaries	111,560	111,560	107,918	3,642
Payroll taxes	8,535	8,535	8,194	341
Fringe benefits	16,224	16,324	13,595	2,729
Pension expense	6,496	6,496	6,405	91
Insurance	3,000	3,130	3,030	100
Miscellaneous	70	220	150	70
Office supplies	3,500	3,750	5,423	(1,673)
Operating supplies	25,718	25,768	25,117	651
Postage and printing	2,200	2,150	1,831	319
Repairs and maintenance	2,250	2,250	1,061	1,189
Telephone and other communications	2,300	1,920	624	1,296
Travel and training	400	400	78	322
Utilities	8,350	10,850	9,673	1,177
Total library	<u>190,603</u>	<u>193,353</u>	<u>183,099</u>	<u>10,254</u>
Total public welfare and recreation	<u>1,002,099</u>	<u>1,010,745</u>	<u>999,315</u>	<u>11,430</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, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Maintenance shop				
Salaries	\$ 35,504	\$ 35,004	\$ 37,503	\$ (2,499)
Payroll taxes	2,716	2,716	2,733	(17)
Fringe benefits	7,322	7,352	6,825	527
Pension expense	3,028	3,028	3,213	(185)
Insurance	2,225	2,775	2,824	(49)
Miscellaneous	70	70	35	35
Office supplies	150	650	597	53
Operating supplies	5,543	6,543	7,030	(487)
Professional services	-	200	200	-
Repairs and maintenance	2,600	3,200	2,811	389
Telephone and other communications	3,300	3,200	2,571	629
Travel and training	500	800	785	15
Utilities	22,400	20,520	17,922	2,598
Vehicle expense	3,300	2,600	1,287	1,313
Total maintenance shop	<u>88,658</u>	<u>88,658</u>	<u>86,336</u>	<u>2,322</u>
 Capital Outlay				
General government	6,500	300	-	300
Public safety	25,094	27,169	10,070	17,099
Public works	137,000	67,100	49,971	17,129
Public welfare and recreation	231,300	213,300	20,149	193,151
Total capital outlay	<u>399,894</u>	<u>307,869</u>	<u>80,190</u>	<u>227,679</u>
 Debt Service				
Principal paid	482,000	482,000	482,000	-
Interest	60,549	48,549	29,873	18,676
Total debt service	<u>542,549</u>	<u>530,549</u>	<u>511,873</u>	<u>18,676</u>
 TOTAL EXPENDITURES	<u>6,788,496</u>	<u>6,871,086</u>	<u>6,423,115</u>	<u>447,971</u>
 Excess (deficiency) of revenues over (under) expenditures	(80,450)	(280,439)	299,065	579,504
 OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,013,802)</u>	<u>(1,124,846)</u>	<u>(1,105,032)</u>	<u>19,814</u>
 Net changes in fund balances	(1,094,252)	(1,405,285)	(805,967)	599,318
 Fund balances - beginning	<u>6,381,735</u>	<u>6,381,735</u>	<u>6,381,735</u>	<u>-</u>
 Fund balances - end	<u>\$ 5,287,483</u>	<u>\$ 4,976,450</u>	<u>\$ 5,575,768</u>	<u>\$ 599,318</u>

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Proprietary Funds
Statement of Net Position
June 30, 2017

	Enterprise Funds		
	Water Fund	Stormwater Fund	Totals
ASSETS			
Current assets			
Cash	\$ 1,670,088	\$ 830,047	\$ 2,500,135
Investments	2,091,722	41,918	2,133,640
Receivable - net	351,753	-	351,753
Inventories	89,562	-	89,562
Total current assets	<u>4,203,125</u>	<u>871,965</u>	<u>5,075,090</u>
Non-current assets			
Other assets			
Customer lists - Walden's Ridge - net	7,894	-	7,894
Capital assets			
Other capital assets - net of accumulated depreciation	2,946,104	73,870	3,019,974
Total capital assets	<u>2,946,104</u>	<u>73,870</u>	<u>3,019,974</u>
Total non-current assets	<u>2,953,998</u>	<u>73,870</u>	<u>3,027,868</u>
TOTAL ASSETS	<u>\$ 7,157,123</u>	<u>\$ 945,835</u>	<u>\$ 8,102,958</u>
 DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 64,907</u>	<u>\$ 37,093</u>	<u>\$ 102,000</u>
 LIABILITIES			
Current liabilities			
Accounts payable	\$ 341,388	\$ 2,255	\$ 343,643
Accrued liabilities	5,495	2,661	8,156
Due to other funds	20,502	12,195	32,697
Total current liabilities	<u>367,385</u>	<u>17,111</u>	<u>384,496</u>
Non-current liabilities			
Customer deposits	197,605	-	197,605
Compensated absences payable	23,298	5,479	28,777
Net pension liability	113,758	65,010	178,768
Total non-current liabilities	<u>334,661</u>	<u>70,489</u>	<u>405,150</u>
TOTAL LIABILITIES	<u>\$ 702,046</u>	<u>\$ 87,600</u>	<u>\$ 789,646</u>
 DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 793</u>	<u>\$ 454</u>	<u>\$ 1,247</u>
 NET POSITION			
Net investment in capital assets	\$ 2,946,104	\$ 73,870	\$ 3,019,974
Unrestricted	<u>3,573,087</u>	<u>821,004</u>	<u>4,394,091</u>
TOTAL NET POSITION	<u>\$ 6,519,191</u>	<u>\$ 894,874</u>	<u>\$ 7,414,065</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, 2017

	Enterprise Funds		
	Water Fund	Stormwater Fund	Total
OPERATING REVENUES			
Water service charges	\$ 1,445,563	\$ -	\$ 1,445,563
Stormwater user fees	-	296,671	296,671
Penalties	21,769	-	21,769
Other revenue	7,347	-	7,347
Total operating revenues	<u>1,474,679</u>	<u>296,671</u>	<u>1,771,350</u>
OPERATING EXPENSES			
Water purchases	462,339	-	462,339
Power and pumping	243,850	-	243,850
Treatment and transmission	118,936	-	118,936
Maintenance	330,022	-	330,022
Stormwater operations	-	213,664	213,664
Administration	128,759	-	128,759
Depreciation	<u>148,286</u>	<u>26,918</u>	<u>175,204</u>
Total operating expenses	<u>1,432,192</u>	<u>240,582</u>	<u>1,672,774</u>
Operating income	<u>42,487</u>	<u>56,089</u>	<u>98,576</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest earnings	15,341	510	15,851
Amortization expense	<u>(2,961)</u>	<u>-</u>	<u>(2,961)</u>
Total non-operating revenues (expenses)	<u>12,380</u>	<u>510</u>	<u>12,890</u>
Changes in net position	54,867	56,599	111,466
Net position - beginning	<u>6,464,324</u>	<u>838,275</u>	<u>7,302,599</u>
Net position - end	<u>\$ 6,519,191</u>	<u>\$ 894,874</u>	<u>\$ 7,414,065</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, 2017

	Enterprise Funds		
	Water Fund	Stormwater Fund	Totals
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,573,641	\$ 296,671	\$ 1,870,312
Payments to suppliers	(887,356)	(104,932)	(992,288)
Payments to employees	(242,490)	(116,924)	(359,414)
Net cash provided (used) by operating activities	<u>443,795</u>	<u>74,815</u>	<u>518,610</u>
Cash Flows from Non-capital and Related Financing Activities			
Due to/from other funds	<u>19,352</u>	<u>12,112</u>	<u>31,464</u>
Net cash provided (used) by non-capital financing activities	<u>19,352</u>	<u>12,112</u>	<u>31,464</u>
Cash Flows from Capital and Related Financing Activities			
Amortization of customer lists	(2,961)	-	(2,961)
Acquisitions and construction of capital assets	(224,291)	-	(224,291)
Net cash provided (used) by capital and related financing activities	<u>(227,252)</u>	<u>-</u>	<u>(227,252)</u>
Cash Flows from Investing Activities			
(Purchase) sale of investments	334,229	(216)	334,013
Interest revenue received	<u>15,341</u>	<u>510</u>	<u>15,851</u>
Net cash provided (used) by investing activities	<u>349,570</u>	<u>294</u>	<u>349,864</u>
Net increase (decrease) in cash	585,465	87,221	672,686
Cash - beginning	<u>1,084,623</u>	<u>742,826</u>	<u>1,827,449</u>
Cash - end	<u>\$ 1,670,088</u>	<u>\$ 830,047</u>	<u>\$ 2,500,135</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 42,487	\$ 56,089	\$ 98,576
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	148,286	26,918	175,204
Increase (decrease) in net pension liability	31,934	18,252	50,186
Increase (decrease) in deferred inflows related to pensions	(21,140)	(12,081)	(33,221)
(Increase) decrease in deferred outflows related to pensions	(16,239)	(9,282)	(25,521)
(Increase) decrease in receivable - net	98,962	-	98,962
(Increase) decrease in inventories	565	-	565
(Increase) decrease in customer lists	2,961	-	2,961
Increase (decrease) in accounts payable	140,138	(2,438)	137,700
Increase (decrease) in accrued liabilities	2,350	248	2,598
Increase (decrease) in compensated absences payable	5,071	(2,891)	2,180
Increase (decrease) in customer deposits	<u>8,420</u>	<u>-</u>	<u>8,420</u>
Total adjustments	<u>401,308</u>	<u>18,726</u>	<u>420,034</u>
Net cash provided (used) by operating activities	<u>\$ 443,795</u>	<u>\$ 74,815</u>	<u>\$ 518,610</u>

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Notes to Financial Statements
June 30, 2017

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.

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 \$117,399. Budgeted expenditures increased by \$82,590. Budgeted transfers out increased by \$111,044.

Vehicle Replacement Fund: Budgeted expenditures increased by \$94,819. Budgeted transfers increased by \$130,000.

State Street Aid Fund: Budgeted revenues decreased by \$1,093,335. Budgeted expenditures decreased by \$1,075,072. Budgeted transfers decreased by \$ 3,770.

Building Construction Fund: Budgeted expenditures decreased by \$1,220,000. Budgeted proceeds from debt issuance decreased by \$779,210.

Water Fund: Budgeted expenses increased by \$805,917.

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, 2017, 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:

<u>Asset Class</u>	
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, 2017, and November 29, 2017, 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, 2017, the carrying amount of the Town's deposits was \$5,819,496, and the bank balance was \$6,018,940. 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	\$ 5,044,045
Investments	6,114,056
Restricted investments	40,499
Less: Investments in LGIP	(5,377,779)
Petty cash	(1,325)
Total	<u>\$ 5,819,496</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, 2017. The Town's investments are listed on the Statement of Net Position as follows:

Investments	\$ 6,114,056
Restricted investments	<u>40,499</u>
Total	<u>\$ 6,154,555</u>

\$40,499 of the investments is restricted for payment of debt on a new high school.

NOTE 3 - PROPERTY TAXES - NET

Tax rate for the 2017 levy is \$1.5665 per \$100 of assessed valuation and the tax rate for the 2016 levy is \$1.5684 per \$100 of assessed valuation.

Property taxes for the 2017 levy are considered to be owed to the Town as of the lien date on January 1, 2017. Therefore, the entire 2017 levy was recorded as a receivable and deferred revenue as of June 30, 2017.

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

Lien date	January 1, 2017
Levy date	January 1, 2017
Tax bills mailed	October 1, 2016
Payment due date	October 1, 2016
	Through February 28, 2017
Delinquency date	March 1, 2017

Property taxes receivable as of June 30, 2017, are composed of the following:

<u>Year of Levy</u>	
2017	\$ 4,706,200
2016	75,345
2015	25,711
2014	10,726
2013	29,682
2012	21,302
2011	16,165
2010	13,322
2009	14,270
2008	<u>1,127</u>
	4,913,850
Less: allowance for uncollectibles	<u>(150,621)</u>
Property taxes receivable - net	<u>\$ 4,763,299</u>

NOTE 4 - GRANTS RECEIVABLE

At year end, grants receivable consists of the following:

U.S. Department of Transportation	\$ 1,655
U.S. Department of Justice	<u>15,000</u>
Total	<u>\$ 16,655</u>

NOTE 5 - RECEIVABLE - NET

Accounts and other receivables at June 30, 2017, consist of the following:

	Governmental Activities	Business-Type Activities	Total
Customer accounts	\$ -	\$ 355,457	\$ 355,457
Wholesale beer tax	7,150	-	7,150
Franchise tax	<u>25,654</u>	<u>-</u>	<u>25,654</u>
	32,804	355,457	388,261
Less allowance for uncollectible accounts	<u>-</u>	<u>(3,704)</u>	<u>(3,704)</u>
Total	<u>\$ 32,804</u>	<u>\$ 351,753</u>	<u>\$ 384,557</u>

Bad debt expense was \$1,197 for year ended June 30, 2017.

NOTE 6 - DUE FROM OTHER GOVERNMENTS

Due from other governments as of June 30, 2017, consists of the following receivables from the State of Tennessee:

State income tax	\$ 555,096
State street aid revenues	40,238
City streets and transportation revenues	2,815
Mixed drink tax revenue	5,530
State sales tax revenue	121,307
Local sales tax revenue	65,891
Business tax revenue	<u>3,465</u>
Total	<u>\$ 794,342</u>

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

NOTE 7 - INTERNAL BALANCES

Internal balances at June 30, 2017, consist of the following:

Due to:	Due from:				Total
	General Fund	Vehicle Replacement Fund	Water Fund	Stormwater Fund	
General Fund	\$ -	\$ 41,119	\$ 20,502	\$ 12,195	\$ 73,816
State Street Aid	<u>10,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,313</u>
	<u>\$ 10,313</u>	<u>\$ 41,119</u>	<u>\$ 20,502</u>	<u>\$ 12,195</u>	<u>\$ 84,129</u>

Amounts paid by the General Fund on behalf of the Vehicle Replacement Fund, Water Fund and Stormwater Fund are to be reimbursed in the next fiscal year. Amounts paid by the State Street Aid Fund on behalf of the General Fund are also to be reimbursed in the next fiscal year.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, 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	\$ 844,313	\$ -	\$ -	\$ 844,313
Capital assets being depreciated:				
Building and other improvements	6,770,401	850,042	-	7,620,443
Equipment	5,010,979	379,489	(154,931)	5,235,537
Public improvements (infrastructure)	2,278,823	46,749	-	2,325,572
Total capital assets being depreciated	<u>14,060,203</u>	<u>1,276,280</u>	<u>(154,931)</u>	<u>15,181,552</u>
Less accumulated depreciation for:				
Buildings and other improvements	3,340,012	162,305	-	3,502,317
Equipment	2,665,650	429,052	(154,931)	2,939,771
Public improvements (infrastructure)	821,855	70,995	-	892,850
Total accumulated depreciation	<u>6,827,517</u>	<u>662,352</u>	<u>(154,931)</u>	<u>7,334,938</u>
Total capital assets being depreciated - net	<u>7,232,686</u>	<u>613,928</u>	<u>-</u>	<u>7,846,614</u>
Governmental activities capital assets - net	<u>\$ 8,076,999</u>	<u>\$ 613,928</u>	<u>\$ -</u>	<u>\$ 8,690,927</u>

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

General government	\$ 27,720
Public safety	246,116
Public works	276,214
Public welfare and recreation	110,083
Maintenance shop	<u>2,219</u>
Total	<u>\$ 662,352</u>

NOTE 8 - CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets being depreciated:				
Plant in service	\$ 6,674,623	\$ 224,291	\$ -	\$6,898,914
Equipment	<u>967,477</u>	<u>-</u>	<u>(5,997)</u>	<u>961,480</u>
Total capital assets being depreciated	<u>7,642,100</u>	<u>224,291</u>	<u>(5,997)</u>	<u>7,860,394</u>
Less accumulated depreciation for:				
Plant in service	3,846,630	126,768	-	3,973,398
Equipment	<u>824,583</u>	<u>48,436</u>	<u>(5,997)</u>	<u>867,022</u>
Total capital depreciation	<u>4,671,213</u>	<u>175,204</u>	<u>(5,997)</u>	<u>4,840,420</u>
Total capital assets being depreciated - net	<u>2,970,887</u>	<u>49,087</u>	<u>-</u>	<u>3,019,974</u>
Business-type activities capital assets - net	<u>\$ 2,970,887</u>	<u>\$ 49,087</u>	<u>\$ -</u>	<u>\$3,019,974</u>

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

Water	\$ 148,286
Stormwater	<u>26,918</u>
Total	<u>\$ 175,204</u>

NOTE 9 - DEFERRED OUTFLOWS RELATED TO PENSIONS

Deferred outflows related to pensions at June 30, 2017, consists of the following:

July 1, 2016 balance	\$ 695,261
Actuarial experience different than assumption	298,664
Investment earnings different than assumption	322,918
Prior year employer contributions	(315,781)
Amortization of actuarial experience	(80,438)
Amortization of investment earnings	(121,270)
Current year employer contributions	326,173
Estimated versus actual prior year contribution	566
Netting cumulative investment earnings for presentation purposes	<u>(198,826)</u>
Total	<u>\$ 927,267</u>

NOTE 10 - LONG-TERM DEBT

A. Governmental Debt

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

	<u>Principal Balance</u>
Capital outlay note, Series 2007, variable rate loan, due 2018	\$ 93,948
Capital outlay note, Series 2015, still in draw down phase	1,547,925
Compensated absences payable	<u>171,682</u>
	1,813,555
Less: current portion of governmental long-term debt	<u>(93,948)</u>
Total governmental long-term debt	<u>\$ 1,719,607</u>

A summary of changes in governmental long-term debt for the year ended June 30, 2017, are as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>	<u>Amount Due Within One Year</u>
Capital outlay note, 2007	\$ 439,948	\$ -	\$ (346,000)	\$ 93,948	\$ 93,948
Capital outlay note, 2015	791,222	892,703	(136,000)	1,547,925	-
Compensated absences	<u>176,490</u>	<u>-</u>	<u>(4,808)</u>	<u>171,682</u>	<u>-</u>
Total	<u>\$1,407,660</u>	<u>\$ 892,703</u>	<u>\$ (486,808)</u>	1,813,555	<u>\$ 93,948</u>
Less: current portion of governmental long-term debt				<u>(93,948)</u>	
Total governmental long-term debt				<u>\$ 1,719,607</u>	

Interest paid during the year ended June 30, 2017, on governmental long-term debt was \$29,873.

Governmental debt service requirements to maturity including interest of \$338 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018	\$ 93,948	\$ 338	\$ 94,286

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 10 - 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>\$ 23,298</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>Amount Due Within</u>
	<u>July 1, 2016</u>			<u>June 30, 2017</u>	<u>One Year</u>
Compensated absences	<u>\$ 18,227</u>	<u>\$ 5,071</u>	<u>\$ -</u>	<u>\$ 23,298</u>	<u>\$ -</u>
Less: current portion of water long-term debt				<u>-</u>	
Total water long-term debt				<u>\$ 23,298</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>\$5,479</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>Amount Due Within</u>
	<u>July 1, 2016</u>			<u>June 30, 2017</u>	<u>One Year</u>
Compensated absences	<u>\$ 8,370</u>	<u>\$ -</u>	<u>\$ (2,891)</u>	<u>\$ 5,479</u>	<u>\$ -</u>
Less: current portion of stormwater long-term debt				<u>-</u>	
Total stormwater long-term debt				<u>\$ 5,479</u>	

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

NOTE 11 - NET PENSION LIABILITY

Net pension liability at June 30, 2017, consists of the following:

Net pension liability at July 1, 2016	\$ 1,168,928
Prior year employer contributions	(315,781)
Pension expense	248,953
Actuarial experience different than assumption	298,664
Amortization of actuarial experience	(76,661)
Investment earnings different than assumption	322,918
Amortization of investment earnings	(21,857)
Total	<u>\$ 1,625,164</u>

NOTE 12 - DEFERRED INFLOWS RELATED TO PENSIONS

Deferred inflows related to pension at June 30, 2017, consists of the following:

July 1, 2016 balance	\$ 313,346
Amortization of deferred inflows for actuarial experience	(3,777)
Amortization of deferred inflows for investment earnings	(99,413)
Netting cumulative investment earnings for presentation purposes	<u>(198,826)</u>
Total	<u>\$ 11,330</u>

NOTE 13 - 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>\$ 50,277</u>	<u>\$ 4,706,200</u>	<u>\$4,756,477</u>

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

NOTE 14 - 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.

\$40,499 is legally restricted for debt service on a local middle/high school.

\$20,320 is legally restricted for use in investigations of drug-related violations and drug prevention programs.

\$566,874 is legally restricted for use in the State Street Aid Fund for street expenditures.

NOTE 15 - FUND BALANCES

Fund balances are as follows:

Nonspendable: \$3,246 is nonspendable inventory.

Restricted: \$40,499 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. \$20,320 is legally restricted for use in investigations of drug-related violations and drug prevention programs. \$566,874 is legally restricted for use in the State Street Aid Fund for street expenditures.

Committed: \$670,614 is committed for the purchase of mobile assets. \$331,790 is committed for building construction.

NOTE 15 - 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 16 - TRANSFERS

Transfers for the current year were as follows:

	<u>Transfers to:</u>		<u>Total</u>
	<u>Vehicle Replacement Fund</u>	<u>State Street Aid Fund</u>	
<u>Transfer from:</u> General Fund	<u>\$ 480,032</u>	<u>\$ 625,000</u>	<u>\$ 1,105,032</u>

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 17 - 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 \$(1,813,555) difference are as follows:

Notes payable	\$ (1,641,873)
Compensated absences	<u>(171,682)</u>
Net adjustment	<u>\$ (1,813,555)</u>

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 \$(631,212) difference are as follows:

Deferred outflows related to pensions	\$ 825,267
Net pension liability	(1,446,396)
Deferred inflows related to pensions	<u>(10,083)</u>
Net adjustment	<u>\$ (631,212)</u>

NOTE 17 - 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 \$613,928 difference are as follows:

Capital outlay	\$ 1,276,280
Depreciation expense	<u>(662,352)</u>
Net adjustment	<u>\$ 613,928</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 \$482,000 difference are as follows:

Capital outlay note, 2007	\$ 346,000
Capital outlay note, 2015	<u>136,000</u>
Net adjustment	<u>\$ 482,000</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 \$69,230 difference are as follows:

Pension expense	\$ (221,568)
Contributions	290,294
Estimated versus actual recognized	<u>504</u>
Net adjustment	<u>\$ 69,230</u>

NOTE 18 - LITIGATION AND CLAIMS

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

NOTE 19 - COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS

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

NOTE 20 - COMMERCIAL INSURANCE

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

NOTE 21 - PENSION PLAN

General Information about the Pension Plan

Plan description

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

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, 2016, 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	71
Active employees	<u>70</u>
	<u>179</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, 2017, the employer contributions for Signal Mountain were \$326,173 based on a rate of 10.30 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 21 - PENSION PLAN (Continued)

Net Pension Liability (Asset)

Signal Mountain's net pension liability (asset) was measured as of June 30, 2016, 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, 2016 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%
		<u>100%</u>

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 21 - 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 6/30/15	\$ 7,797,860	\$ 6,628,932	\$ 1,168,928
Changes for the year:			
Service cost	209,761	-	209,761
Interest	585,726	-	585,726
Differences between expected and actual experience	298,664	-	298,664
Contributions - employer	-	315,781	(315,781)
Contributions - employees	-	150,718	(150,718)
Net investment income	-	176,702	(176,702)
Benefit payments, including refunds of employee contributions	(395,879)	(395,879)	-
Administrative expense	-	(5,286)	5,286
Other changes	-	-	-
Net changes	698,272	242,036	456,236
Balances at 6/30/16	\$ 8,496,132	\$ 6,870,968	\$ 1,625,164

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)	\$ 2,607,881	\$ 1,625,164	\$ 796,314

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

For the year ended June 30, 2017, Signal Mountain recognized pension expense of \$248,953.

NOTE 21 - PENSION PLAN (Continued)**Pension Expense 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, 2017, 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	\$ 371,528	\$ (11,330)
Net difference between projected and actual earnings on pension plan investments	229,566	-
Contributions subsequent to the measurement date of June 30, 2016	<u>326,173</u>	<u>(not applicable)</u>
Total	<u>\$ 927,267</u>	<u>\$ (11,330)</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2016,” 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:

2018	\$ 98,518
2019	\$ 98,518
2020	\$ 197,931
2021	\$ 145,022
2022	\$ 49,777
Thereafter	\$ -

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

Payable to the Pension Plan

At June 30, 2017, Signal Mountain reported a payable of \$37,598 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

NOTE 22 - RISK MANAGEMENT POOL

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

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

Coverages are as follows:

Buildings and personal property	\$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 22 - RISK MANAGEMENT POOL (Continued)

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

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

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

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

The responsibilities of TML are as follows:

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

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

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

The Town has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The Town is not aware of any claims which the Town is liable for (in excess of insurance coverage) which were outstanding and unpaid at June 30, 2017. No provision has been made in the financial statements for the year ended June 30, 2017, 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 Net Pension Liability (Asset) and
Related Ratios Based on Participation in the Public Employee Pension Plan of the TCRS
June 30, 2017

Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Total pension liability</u>			
Service cost	\$ 186,105	\$ 185,659	\$ 209,761
Interest	517,825	543,568	585,726
Changes in benefit terms	-	-	-
Differences between actual and expected experience	(22,661)	183,963	298,664
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(320,690)	(354,485)	(395,879)
Net change in total pension liability (asset)	360,579	558,705	698,272
Total pension liability (asset) - beginning	6,878,576	7,239,155	7,797,860
Total pension liability (asset) - ending (a)	<u>\$ 7,239,155</u>	<u>\$ 7,797,860</u>	<u>\$ 8,496,132</u>
<u>Plan fiduciary net position</u>			
Contributions - employer	\$ 251,361	\$ 267,550	\$ 315,781
Contributions - employee	122,475	128,542	150,718
Net investment income	906,655	197,493	176,702
Benefit payments, including refunds of employee contributions	(320,690)	(354,485)	(395,879)
Administrative expense	(2,524)	(3,330)	(5,286)
Other	-	-	-
Net change in plan fiduciary net position	957,277	235,770	242,036
Plan fiduciary net position - beginning	5,435,885	6,393,162	6,628,932
Plan fiduciary net position - ending (b)	<u>\$ 6,393,162</u>	<u>\$ 6,628,932</u>	<u>\$ 6,870,968</u>
Net Pension Liability (asset) - ending (a) - (b)	<u>\$ 845,993</u>	<u>\$ 1,168,928</u>	<u>\$ 1,625,164</u>
Plan fiduciary net position as a percentage of total pension liability	88.31%	85.01%	80.87%
Covered payroll	\$ 2,449,490	\$ 2,569,954	\$ 3,025,668
Net pension liability (asset) as a percentage of covered payroll	34.54%	45.48%	53.71%

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 Contributions Based on
Participation in the Public Employee Pension Plan of the TCRS
June 30, 2017

Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 251,361	\$ 267,550	\$ 315,781	\$ 326,173
Contributions in relation to the actuarially determined contribution	<u>251,361</u>	<u>267,550</u>	<u>315,781</u>	<u>326,173</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,449,490	\$ 2,569,954	\$ 3,025,668	\$ 3,142,242
Contributions as a percentage covered payroll	10.26%	10.41%	10.44%	10.30%

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 Contributions Based on
Participation in the Public Employee Pension Plan of the TCRS (Continued)
June 30, 2017

Notes to Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2017 were calculated based on the June 30, 2015 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	Varies by year
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.

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

Capital Project Funds

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

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, 2017

	<u>Special Revenue</u>		<u>Capital Projects Vehicle Replacement Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>Drug Fund</u>	<u>State Street Aid Fund</u>		
ASSETS				
Cash	\$ 21,160	\$ 341,324	\$ 709,137	\$ 1,071,621
Investments	-	189,571	2,596	192,167
Due from other funds	-	10,313	-	10,313
Due from other governments	-	40,238	-	40,238
TOTAL ASSETS	<u>\$ 21,160</u>	<u>\$ 581,446</u>	<u>\$ 711,733</u>	<u>\$ 1,314,339</u>
LIABILITIES				
Accounts payable	\$ 840	\$ 14,572	\$ -	\$ 15,412
Due to other funds	-	-	41,119	41,119
TOTAL LIABILITIES	<u>\$ 840</u>	<u>\$ 14,572</u>	<u>\$ 41,119</u>	<u>\$ 56,531</u>
FUND BALANCES				
Restricted	\$ 20,320	\$ 566,874	\$ -	\$ 587,194
Committed	-	-	670,614	670,614
TOTAL FUND BALANCES	<u>\$ 20,320</u>	<u>\$ 566,874</u>	<u>\$ 670,614</u>	<u>\$ 1,257,808</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Non-Major Governmental Fund
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2017

	Special Revenue		Capital Projects Vehicle Replacement Fund	Total Non-major Governmental Funds
	Drug Fund	State Street Aid Fund		
REVENUES				
Fines and forfeitures	\$ 569	\$ -	\$ -	\$ 569
Intergovernmental	-	241,789	-	241,789
Other revenues	<u>8</u>	<u>162</u>	<u>149</u>	<u>319</u>
TOTAL REVENUES	<u>577</u>	<u>241,951</u>	<u>149</u>	<u>242,677</u>
EXPENDITURES				
Current Expenditures				
Public safety	3,429	-	-	3,429
Public works	<u>-</u>	<u>632,014</u>	<u>90</u>	<u>632,104</u>
Total current expenditures	<u>3,429</u>	<u>632,014</u>	<u>90</u>	<u>635,533</u>
Capital Outlay				
Public safety	<u>-</u>	<u>47,003</u>	<u>301,374</u>	<u>348,377</u>
TOTAL EXPENDITURES	<u>3,429</u>	<u>679,017</u>	<u>301,464</u>	<u>983,910</u>
Excess (deficiency) of revenues over (under) expenditures	(2,852)	(437,066)	(301,315)	(741,233)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>625,000</u>	<u>480,032</u>	<u>1,105,032</u>
Net changes in fund balances	(2,852)	187,934	178,717	363,799
Fund balances - beginning	<u>23,172</u>	<u>378,940</u>	<u>491,897</u>	<u>894,009</u>
Fund balances - end	<u>\$ 20,320</u>	<u>\$ 566,874</u>	<u>\$ 670,614</u>	<u>\$ 1,257,808</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Drug Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures				
City court revenues	\$ 1,750	\$ 1,750	\$ 569	\$ (1,181)
Other revenues				
Interest earnings	-	-	8	8
TOTAL REVENUES	<u>1,750</u>	<u>1,750</u>	<u>577</u>	<u>(1,173)</u>
EXPENDITURES				
Current Expenditures				
Public safety				
Drug prevention	1,000	1,000	296	704
Operating supplies	-	2,445	3,133	(688)
Total public safety	<u>1,000</u>	<u>3,445</u>	<u>3,429</u>	<u>16</u>
Capital Outlay				
Public safety				
Equipment	<u>5,500</u>	<u>3,055</u>	<u>-</u>	<u>3,055</u>
TOTAL EXPENDITURES	<u>6,500</u>	<u>6,500</u>	<u>3,429</u>	<u>3,071</u>
Excess (deficiency) of revenues over (under) expenditure	(4,750)	(4,750)	(2,852)	1,898
Fund balances - beginning	<u>23,172</u>	<u>23,172</u>	<u>23,172</u>	<u>-</u>
Fund balances - end	<u>\$ 18,422</u>	<u>\$ 18,422</u>	<u>\$ 20,320</u>	<u>\$ 1,898</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
State Street Aid Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Intergovernmental				
Grants	\$ 976,735	\$ 74,300	\$ 10,313	\$ (63,987)
Streets and transportation	215,000	24,000	231,476	207,476
Total intergovernmental	<u>1,191,735</u>	<u>98,300</u>	<u>241,789</u>	<u>143,489</u>
Other revenues				
Interest earnings	<u>-</u>	<u>100</u>	<u>162</u>	<u>62</u>
TOTAL REVENUES	<u>1,191,735</u>	<u>98,400</u>	<u>241,951</u>	<u>143,551</u>
EXPENDITURES				
Current Expenditures				
Public works				
Highways and street maintenance				
Street lighting (electricity)	21,000	21,000	22,636	(1,636)
Engineering	25,000	-	-	-
Tree removal	15,000	9,750	9,552	198
Repairs and maintenance	-	579,433	579,433	-
Paint and stripping	<u>15,000</u>	<u>20,250</u>	<u>20,393</u>	<u>(143)</u>
Total public works	<u>76,000</u>	<u>630,433</u>	<u>632,014</u>	<u>(1,581)</u>
Capital Outlay				
Public works				
Highways and street maintenance				
Street infrastructure	1,650,405	85,000	-	85,000
Improvements	<u>94,100</u>	<u>30,000</u>	<u>47,003</u>	<u>(17,003)</u>
Total public works	<u>1,744,505</u>	<u>115,000</u>	<u>47,003</u>	<u>67,997</u>
TOTAL EXPENDITURES	<u>1,820,505</u>	<u>745,433</u>	<u>679,017</u>	<u>66,416</u>
Excess (deficiency) of revenues over (under) expenditures	(628,770)	(647,033)	(437,066)	209,967
OTHER FINANCING SOURCE (USES)				
Transfers in	<u>628,770</u>	<u>625,000</u>	<u>625,000</u>	<u>-</u>
Net changes in fund balances	-	(22,033)	187,934	(209,967)
Fund balances - beginning	<u>378,940</u>	<u>378,940</u>	<u>378,940</u>	<u>-</u>
Fund balances - end	<u>\$ 378,940</u>	<u>\$ 356,907</u>	<u>\$ 566,874</u>	<u>\$ 209,967</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, 2017

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Other revenues				
Interest earnings	\$ 150	\$ 150	\$ 149	\$ (1)
TOTAL REVENUES	<u>150</u>	<u>150</u>	<u>149</u>	<u>(1)</u>
EXPENDITURES				
Current Expenditures				
Public works				
Miscellaneous	<u>4,000</u>	<u>4,090</u>	<u>90</u>	<u>4,000</u>
Capital Outlay				
Public safety				
Vehicles	29,000	98,819	97,967	852
Public works				
Vehicles	349,000	372,288	172,785	199,503
Public welfare and recreation				
Vehicles	<u>29,000</u>	<u>30,622</u>	<u>30,622</u>	<u>-</u>
Total capital outlay	<u>407,000</u>	<u>501,729</u>	<u>301,374</u>	<u>200,355</u>
TOTAL EXPENDITURES	<u>411,000</u>	<u>505,819</u>	<u>301,464</u>	<u>204,355</u>
Excess (deficiency) of revenues over (under) expenditures	(410,850)	(505,669)	(301,315)	204,354
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>350,032</u>	<u>480,032</u>	<u>480,032</u>	<u>-</u>
Net changes in fund balances	(60,818)	(25,637)	178,717	204,354
Fund balances - beginning	<u>491,897</u>	<u>491,897</u>	<u>491,897</u>	<u>-</u>
Fund balances - end	<u>\$ 431,079</u>	<u>\$ 466,260</u>	<u>\$ 670,614</u>	<u>\$ 204,354</u>

FINANCIAL SCHEDULES

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Grantor/Pass-through Agency	CFDA Number	State Grant/Project Number	(Accrued) Deferred Grant Revenues July 1, 2016	Grant Revenues Received	Expenditures	(Accrued) Deferred Grant Revenues June 30, 2017
Federal						
U.S. Department of Transportation						
Transportation Enhancement Section	20.205	STP-M-9215(3)	\$ -	\$ 10,313	\$ 10,313	\$ -
Aggressive Driver Enforcement	20.600	Z17THS068	-	5,626	7,281	(1,655)
Aggressive Driver Enforcement	20.600	Z16GHS322	-	7,185	7,185	-
Total U.S. Department of Transportation			-	23,124	24,779	(1,655)
U.S. Department of Homeland Security						
Federal Emergency Management Agency	97.000	FEMA-DR-4293-TN	-	4,603	4,603	-
U.S. Department of Justice						
Local Law Enforcement Equipment Program	16.738		-	-	15,000	(15,000)
Total Federal Awards			\$ -	\$ 27,727	\$ 44,382	\$ (16,655)

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

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, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes	\$ 4,609,575	\$ 4,609,575	\$ 4,702,808	\$ 93,233
Licenses and permits	47,745	47,745	60,673	12,928
Intergovernmental	1,555,300	1,423,820	1,447,161	23,341
Charges for services	258,276	249,357	236,126	(13,231)
Fines and forfeitures	35,000	35,000	36,083	1,083
Other revenue	<u>202,150</u>	<u>225,150</u>	<u>239,329</u>	<u>14,179</u>
TOTAL REVENUES	<u>6,708,046</u>	<u>6,590,647</u>	<u>6,722,180</u>	<u>131,533</u>
EXPENDITURES				
Current Expenditures				
General government				
Judicial	54,690	54,740	49,101	5,639
Administration	289,758	357,338	324,340	32,998
Finance	214,764	219,264	208,146	11,118
Building and codes	143,730	149,230	137,459	11,771
Public safety				
Police	1,395,061	1,427,043	1,412,387	14,656
Fire protection and control services	1,509,100	1,574,225	1,567,505	6,720
Highways and streets				
Public works administration	120,652	125,652	90,576	35,076
Highway and street maintenance	444,835	410,620	384,086	26,534
Sanitation				
Solid waste department	515,824	551,539	514,032	37,507
Recycling centers	66,882	63,614	57,769	5,845
Public welfare and recreation				
Recreation	631,921	657,627	675,796	(18,169)
Mountain Arts Community Center	179,575	159,765	140,420	19,345
Library	190,603	193,353	183,099	10,254
Maintenance shop	88,658	88,658	86,336	2,322

(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, 2017

	Budgeted Amounts			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES				
Capital Outlay				
General government				
Administration	\$ 2,000	\$ 300	\$ -	\$ 300
Finance	4,500	-	-	-
Public safety				
Police	-	2,075	2,075	-
Fire protection and control services	25,094	25,094	7,995	17,099
Highways and streets				
Highway and street maintenance	27,000	27,000	13,965	13,035
Sanitation				
Solid waste department	110,000	35,000	30,906	4,094
Recycling centers	-	5,100	5,100	-
Public welfare and recreation				
Recreation	223,300	213,300	20,149	193,151
Mountain Arts Community Center	8,000	-	-	-
Debt Service	<u>542,549</u>	<u>530,549</u>	<u>511,873</u>	<u>18,676</u>
TOTAL EXPENDITURES	<u>6,788,496</u>	<u>6,871,086</u>	<u>6,423,115</u>	<u>447,971</u>
Excess (deficiency) of revenues over (under) expenditures	(80,450)	(280,439)	299,065	579,504
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,013,802)</u>	<u>(1,124,846)</u>	<u>(1,105,032)</u>	<u>19,814</u>
Net changes in fund balances	(1,094,252)	(1,405,285)	(805,967)	599,318
Fund balances - beginning	<u>6,381,735</u>	<u>6,381,735</u>	<u>6,381,735</u>	<u>-</u>
Fund balances - end	<u>\$ 5,287,483</u>	<u>\$ 4,976,450</u>	<u>\$ 5,575,768</u>	<u>\$ 599,318</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other revenues				
Interest earnings	\$ -	\$ -	\$ 140	\$ 140
TOTAL REVENUES	-	-	140	140
EXPENDITURES				
Capital Outlay				
Public safety				
Fire station	1,075,000	93,730	93,730	-
Public works				
Facility	865,230	1,146,500	756,311	390,189
Public welfare and recreation				
Facility	520,000	-	-	-
Total capital outlay	2,460,230	1,240,230	850,041	390,189
TOTAL EXPENDITURES	2,460,230	1,240,230	850,041	390,189
Excess (deficiency) of revenues over (under) expenditures	(2,460,230)	(1,240,230)	(849,901)	390,329
OTHER FINANCING SOURCES (USES)				
Proceeds from debt issuance	2,019,440	1,240,230	892,703	(347,527)
Net changes in fund balances	(440,790)	-	42,802	42,802
Fund balances - beginning	288,988	288,988	288,988	-
Fund balances - end	\$ (151,802)	\$ 288,988	\$ 331,790	\$ 42,802

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Water Fund
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
OPERATING REVENUES				
Water service charges	\$ 1,344,000	\$ 1,344,000	\$ 1,445,563	\$ 101,563
Water service penalties	24,000	24,000	21,769	(2,231)
Other revenue	3,000	3,000	7,347	4,347
Total operating revenues	<u>1,371,000</u>	<u>1,371,000</u>	<u>1,474,679</u>	<u>103,679</u>
OPERATING EXPENSES				
Water purchases	<u>450,000</u>	<u>512,000</u>	<u>462,339</u>	<u>49,661</u>
Power and pumping				
Operating supplies and expense	1,500	1,500	112	1,388
Repairs and maintenance	17,000	17,000	10,179	6,821
Telephone and other communication	1,700	1,700	1,640	60
Utilities	200,000	301,000	231,919	69,081
Total power and pumping	<u>220,200</u>	<u>321,200</u>	<u>243,850</u>	<u>77,350</u>
Treatment and transmission				
Miscellaneous	2,500	2,500	1,684	816
Operating supplies and expense	444,083	1,144,700	6,334	1,138,366
Professional services	70,000	68,500	9,918	58,582
Repairs and maintenance	105,304	106,804	91,225	15,579
Travel and training	400	400	340	60
Vehicle expense	13,200	15,500	9,435	6,065
Total treatment and transmission	<u>635,487</u>	<u>1,338,404</u>	<u>118,936</u>	<u>1,219,468</u>
Maintenance				
Salaries	203,847	203,817	199,651	4,166
Payroll taxes	15,594	15,594	14,087	1,507
Fringe benefits	43,908	59,208	53,964	5,244
Pension expense	17,388	17,388	17,427	(39)
Insurance	5,082	6,512	6,381	131
Miscellaneous	4,100	2,100	850	1,250
Operating supplies and expense	77,200	17,400	16,382	1,018
Repairs and maintenance	16,394	16,194	5,255	10,939
Telephone and other communication	2,000	2,000	1,587	413
Travel and training	1,000	1,000	-	1,000
Utilities	100,280	85,580	12,032	73,548
Vehicle expense	3,000	3,000	2,406	594
Total maintenance	<u>489,793</u>	<u>429,793</u>	<u>330,022</u>	<u>99,771</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, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
OPERATING EXPENSES (Continued)				
Administration				
Salaries	\$ 55,622	\$ 55,622	\$ 42,839	\$ 12,783
Payroll taxes	4,255	4,255	3,172	1,083
Fringe benefits	10,450	10,430	6,054	4,376
Pension expense	4,745	4,745	-	4,745
Contract services	25,000	25,030	18,815	6,215
In lieu of taxes	30,000	29,000	24,850	4,150
Insurance	14,045	13,965	15,468	(1,503)
Miscellaneous	3,250	4,320	1,239	3,081
Office supplies and expense	1,500	2,300	2,412	(112)
Operating supplies and expense	6,590	6,190	5,678	512
Postage and printing	7,700	8,200	7,042	1,158
Professional services	500	400	-	400
Telephone and other communication	2,500	2,500	1,190	1,310
Travel and training	1,500	700	-	700
Total administration	<u>167,657</u>	<u>167,657</u>	<u>128,759</u>	<u>38,898</u>
Depreciation	<u>190,000</u>	<u>190,000</u>	<u>148,286</u>	<u>41,714</u>
Total operating expenses	<u>2,153,137</u>	<u>2,959,054</u>	<u>1,432,192</u>	<u>1,526,862</u>
Operating income (loss)	<u>(782,137)</u>	<u>(1,588,054)</u>	<u>42,487</u>	<u>1,630,541</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest earnings	5,000	5,000	15,341	10,341
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>12,380</u>	<u>10,341</u>
Changes in net position	(780,098)	(1,586,015)	54,867	1,640,882
Net position - beginning	<u>6,464,324</u>	<u>6,464,324</u>	<u>6,464,324</u>	<u>-</u>
Net position - end	<u>\$ 5,684,226</u>	<u>\$ 4,878,309</u>	<u>\$ 6,519,191</u>	<u>\$ 1,640,882</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Stormwater Fund
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year Ended June 30, 2017

	Budgeted Amount		Actual	Variance
	Original	Final		
OPERATING REVENUES				
Stormwater user fees	\$ 275,644	\$ 275,644	\$ 296,671	\$ 21,027
OPERATING EXPENSES				
Stormwater operations				
Salaries	126,893	126,893	116,924	9,969
Payroll taxes	9,707	9,707	8,152	1,555
Fringe benefits	19,287	34,487	32,638	1,849
Pension expense	10,824	10,824	9,958	866
Contract services	23,500	23,500	15,547	7,953
Insurance	4,892	5,725	5,642	83
Miscellaneous	1,000	1,000	108	892
Office supplies and expense	400	600	471	129
Operating supplies and expense	9,198	9,148	1,864	7,284
Permit fee	4,000	4,000	3,960	40
Postage and printing	4,200	4,200	1,320	2,880
Professional services	25,000	9,017	547	8,470
Repairs and maintenance	102,000	101,800	13,190	88,610
Telephone and other communication	700	700	705	(5)
Travel and training	3,000	3,000	1,045	1,955
Utilities	1,000	1,000	-	1,000
Vehicle expense	2,550	2,550	1,593	957
Total stormwater operations	348,151	348,151	213,664	134,487
Depreciation	37,000	37,000	26,918	10,082
Total operating expenses	385,151	385,151	240,582	144,569
Operating income (loss)	(109,507)	(109,507)	56,089	165,596
NON-OPERATING REVENUES (EXPENSES)				
Interest earnings	240	240	510	270
Changes in net position	(109,267)	(109,267)	56,599	165,866
Net position - beginning	838,275	838,275	838,275	-
Net position - end	\$ 729,008	\$ 729,008	\$ 894,874	\$ 165,866

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Schedule of Property Taxes Receivable
June 30, 2017

<u>Year of Levy</u>	
2017	\$ 4,706,200
2016	75,345
2015	25,711
2014	10,726
2013	29,682
2012	21,302
2011	16,165
2010	13,322
2009	14,270
2008	<u>1,127</u>
Total property taxes receivable	4,913,850
Less: allowance for uncollectible taxes	<u>(150,621)</u>
Property taxes receivable - net	<u>\$ 4,763,229</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Schedule of Changes in Property Taxes Receivable
June 30, 2017

<u>Year of Levy</u>	<u>Taxes Receivable July 1, 2016</u>	<u>Taxes Levied</u>	<u>Pickups</u>	<u>Discounts and Releases</u>	<u>Collections</u>	<u>Taxes Receivable July 1, 2017</u>
2017	\$ -	\$ 4,706,200	\$ -	\$ -	\$ -	\$ 4,706,200
2016	4,173,766	302,928	(1) 23,546	(690)	(4,424,205)	75,345
2015	88,776	-	-	-	(63,065)	25,711
2014	14,422	-	-	-	(3,696)	10,726
2013	36,117	-	-	-	(6,435)	29,682
2012	21,302	-	-	-	-	21,302
2011	16,165	-	-	-	-	16,165
2010	13,361	-	-	-	(39)	13,322
2009	14,270	-	-	-	-	14,270
2008	1,127	-	-	-	-	1,127
2007	<u>671</u>	<u>-</u>	<u>-</u>	<u>(671)</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,379,977</u>	<u>\$ 5,009,128</u>	<u>\$ 23,546</u>	<u>\$ (1,361)</u>	<u>\$ (4,497,440)</u>	<u>\$ 4,913,850</u>

(1) 2016 Stormwater fees

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Governmental Funds
Schedule of Debt Service Requirements
June 30, 2017

CAPITAL OUTLAY NOTE - SERIES 2007

Maturing June 30, <u>2018</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
	<u>\$ 93,948</u>	<u>\$ 338</u>	<u>\$ 94,286</u>
Total	<u>\$ 93,948</u>	<u>\$ 338</u>	<u>\$ 94,286</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Insurance Coverage
June 30, 2017

<u>Coverage</u>	<u>Amount</u>
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, 2017

<u>Year of Levy</u>	<u>Tax Rate Per \$100</u>	<u>Assessed Valuation</u>			<u>Total</u>
		<u>Property</u>	<u>Personalty</u>	<u>Utilities</u>	
2017	\$ 1.5665	\$ 289,700,612	\$ 1,910,103	\$ 8,798,746	\$ 300,409,461
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

NOTE: On July 1, 2016, the Town of Signal Mountain approved the levy for the year ended June 30, 2017. The tax rate adopted for each \$100 of assessed valuation for the 2016 levy was \$1.5684.

On July 1, 2017, the Town of Signal Mountain approved the levy for the year ended June 30, 2018, for the residents on record as of January 1, 2016. The 2016 levy was recorded as a receivable and deferred revenue for the year ended June 30, 2017.

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Property Taxes Levied and Property Tax Collections - Last Ten Years
Years Ended June 30, 2007 to 2016

Year of Levy	Tax Rate Per \$100	Total Tax Levy	Collections of		Percent of Current Collections to Levy	Collections of Prior Years Levy		Total Collections During Period	Percent of Total Collections to Current Year Levy	Discounts and Adjustments During Period	Accumulated Delinquent Property Taxes	Percent of Delinquent Property Taxes to Current Year Levy
			Collections of Current Levy During Period	Collections of Prior Years Levy During Period		Collections of Prior Years Levy During Period	Collections During Period					
2016	\$ 1.568	\$ 4,476,694	\$ 4,424,205	\$ 73,235	98.8%	\$ 73,235	\$ 4,497,440	100.5%	\$ 22,185	\$ 207,650	\$ 207,650	4.6%
2015	\$ 1.568	\$ 4,580,872	\$ 4,387,939	\$ 70,557	95.8%	\$ 70,557	\$ 4,458,496	97.3%	\$ (104,802)	\$ 206,211	\$ 206,211	4.5%
2014	\$ 1.568	\$ 4,476,907	\$ 4,399,224	\$ 42,052	98.3%	\$ 42,052	\$ 4,441,276	99.2%	\$ (15,357)	\$ 188,637	\$ 188,637	4.2%
2013	\$ 1.568	\$ 4,332,349	\$ 4,263,244	\$ 49,669	98.4%	\$ 49,669	\$ 4,312,913	99.6%	\$ 7,903	\$ 168,363	\$ 168,363	3.9%
2012	\$ 1.663	\$ 3,892,170	\$ 3,839,984	\$ 41,599	98.7%	\$ 41,599	\$ 3,881,583	99.7%	\$ 24,728	\$ 141,024	\$ 141,024	3.6%
2011	\$ 1.663	\$ 3,868,646	\$ 3,810,546	\$ 68,814	98.5%	\$ 68,814	\$ 3,879,360	100.3%	\$ 8,258	\$ 105,709	\$ 105,709	2.7%
2010	\$ 1.513	\$ 3,291,387	\$ 3,217,605	\$ 57,318	97.8%	\$ 57,318	\$ 3,274,923	99.5%	\$ 4,347	\$ 108,165	\$ 108,165	3.3%
2009	\$ 1.513	\$ 3,261,519	\$ 3,198,769	\$ 49,776	98.1%	\$ 49,776	\$ 3,248,545	99.6%	\$ 2,260	\$ 87,354	\$ 87,354	2.7%
2008	\$ 1.775	\$ 3,271,540	\$ 3,210,245	\$ 36,841	98.1%	\$ 36,841	\$ 3,247,086	99.3%	\$ (837)	\$ 72,120	\$ 72,120	2.2%
2007	\$ 1.775	\$ 3,214,431	\$ 3,174,643	\$ 37,656	98.7%	\$ 37,656	\$ 3,212,299	99.9%	\$ (448)	\$ 45,609	\$ 45,609	1.4%

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Unaccounted for Water
June 30, 2017

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

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

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

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

WATER SUPPLIED

Volume from own sources: MG/Yr
Water imported: MG/Yr
Water exported: MG/Yr

Master Meter and Supply Error Adjustments

Enter grading in column 'E' and 'J' → Pent: Value: MG/Yr
Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: MG/Yr
Billed unmetered: MG/Yr
Unbilled metered: MG/Yr
Unbilled unmetered: MG/Yr

Pent: Value: MG/Yr

AUTHORIZED CONSUMPTION: MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

Apparent Losses

Unauthorized consumption: MG/Yr

Pent: Value: MG/Yr

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

5.00% MG/Yr
0.001 MG/Yr

Apparent Losses: MG/Yr

Real Losses (Current Annual Real Losses or CARL)

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

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: miles
Number of active AND inactive service connections:
Service connection density: conn./mile main

Are customer meters typically located at the curbside or property line?

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

COST DATA

Total annual cost of operating water system: \$/Year
Customer retail unit cost (applied to Apparent Losses): \$/1000 gallons (US)
Variable production cost (applied to Real Losses): \$/Million gallons

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
June 30, 2017

0

AWWA Free Water Audit Software:

WAS v5.0

Water Audit Report for: Town of Signal Mountain (0000634)
 Reporting Year: 2017 7/2016 - 6/2017

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

System Attributes:

Apparent Losses: 13,815,182 MG/Yr
 + Real Losses: 59,943,847 MG/Yr
 = **Water Losses:** 73,759,029 MG/Yr
 Unavoidable Annual Real Losses (UARL): 50.62 MG/Yr
 Annual cost of Apparent Losses: \$75,569,044
 Annual cost of Real Losses: \$123,770,857 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: 21.9%
 Non-revenue water as percent by cost of operating system: 13902.2% Real Losses valued at Variable Production Cost

Operational

Apparent Losses per service connection per day: 10101.36 gallons/connection/day
 Real Losses per service connection per day: 43,829.66 gallons/connection/day
 Real Losses per length of main per day*: N/A
 Real Losses per service connection per day per psi pressure: 292.20 gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 59,943,851 million gallons/year
 Infrastructure Leakage Index (ILI) [CARL/UARL]: 1,184.25
* 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, 2017

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	459
Construction Value of Permits issued	\$ 13,269,397

FIRE PROTECTION

Number of stations	1
Number of employees	20.5
Number of trucks	4

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)	2,956
Recycle materials (tons)	866.99

RECREATION

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

WATER FACILITIES

Number of water taps	3,747
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



Certified Public
Accountants

301 N. Market
Chattanooga, TN
37405

Office: 423-756-1170
Fax: 423-756-1436
www.jmw-cpa.com

Members
American Institute
of Certified
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, 2017, 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 November 29, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Chattanooga, Tennessee
November 29, 2017

Johnson, Murphy & Wright, P.C.

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Findings and Responses
June 30, 2017

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:

No instances of noncompliance or other matters were disclosed.

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Prior Audit Findings
June 30, 2017

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2016-001	Unaltered Grant Costs for Personnel Overtime (Original finding 2016-001)	Corrected