



**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2018**

**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, 2018**

Mayor .....Chris J. Howley

Vice Mayor..... Dick Gee

Councilmember ..... Dan Landrum

Councilmember ..... Dr. Robert Spalding

Councilmember .....Amy Speek

Town Judge ..... Tracy Cox

Town Manager ..... Boyd Veal

Town Attorney ..... Phillip A. Noblett

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

## **II. FINANCIAL SECTION**



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Brian T. Wright, CPA

Karen Hutcherson, CPA

Marianne Greene, CPA

Jennifer Waycaster, 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, 2018, 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, 2018, 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, Schedule of Contributions Based on Participation in the Public Employee Pension Plan of the TCRS and Schedule of Changes in the Town of Signal Mountain, Tennessee's Total OPEB Liability and Related Ratios 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 30, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Signal Mountain, Tennessee's internal control over financial reporting and compliance.

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

Chattanooga, Tennessee  
November 30, 2018

## 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, 2018. 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, 2018, by \$21,129,617 (net position). Of this amount \$9,694,595 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors. The Town has restricted \$20,585 for drug enforcement programs, \$673,810 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 \$721,930 for the purchase of mobile assets and \$439,626 for building construction.

The Town's governmental activities operated at a surplus of \$349,304. The Town's business-type activities operated at a surplus of \$87,693.

As of the close of the current fiscal year, the Town of Signal Mountain, Tennessee's governmental funds reported combined ending fund balances of \$7,625,658.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,736,165, or 85.27%, 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 \$7,481,601. Of that balance \$3,706,255, or 49.54%, is unrestricted. The remaining 50.46%, or \$3,775,346 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 70.

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 72 of this report.

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

### **Proprietary Funds**

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

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

The basic proprietary fund financial statements can be found on pages 34 through 36 of this report.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 37 through 64 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 70 through 74 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 \$21,129,617 at the close of this fiscal year.

50.70 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 3.42%, or \$722,395, of the Town of Signal Mountain, Tennessee's net position represents resources that are subject to external restrictions on how they may be used. 45.88%, or \$9,694,595, in net position are unrestricted and can be used to meet the government's ongoing obligations.

At June 30, 2018, 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	
	2018	2017	2018	2017	2018	2017
Capital assets	\$ 11,238,145	\$ 8,690,927	\$ 3,775,346	\$ 3,019,974	\$ 15,013,491	\$ 11,710,901
Other assets	12,949,371	12,207,798	4,244,450	5,050,287	17,193,821	17,258,085
Total assets	\$ 24,187,516	\$ 20,898,725	\$ 8,019,796	\$ 8,070,261	\$ 32,207,312	\$ 28,968,986
Deferred outflows of resources	\$ 807,143	\$ 825,267	\$ 95,968	\$ 102,000	\$ 903,111	\$ 927,267
Long-term liabilities	\$ 5,918,119	\$ 3,166,003	\$ 398,777	\$ 405,150	\$ 6,316,896	\$ 3,571,153
Other liabilities	534,392	379,903	216,899	351,799	751,291	731,702
Total liabilities	\$ 6,452,511	\$ 3,545,906	\$ 615,676	\$ 756,949	\$ 7,068,187	\$ 4,302,855
Deferred inflows of resources	\$ 4,894,132	\$ 4,716,283	\$ 18,487	\$ 1,247	\$ 4,912,619	\$ 4,717,530
Net investment in capital assets	\$ 6,937,281	\$ 7,143,002	\$ 3,775,346	\$ 3,019,974	\$ 10,712,627	\$ 10,162,976
Restricted	722,395	655,693	-	-	722,395	655,693
Unrestricted	5,988,340	5,663,108	3,706,255	4,394,091	9,694,595	10,057,199
Total net position	\$ 13,648,016	\$ 13,461,803	\$ 7,481,601	\$ 7,414,065	\$ 21,129,617	\$ 20,875,868

## Changes in Net Position

Governmental activities increased the Town of Signal Mountain, Tennessee's net position by \$349,304.

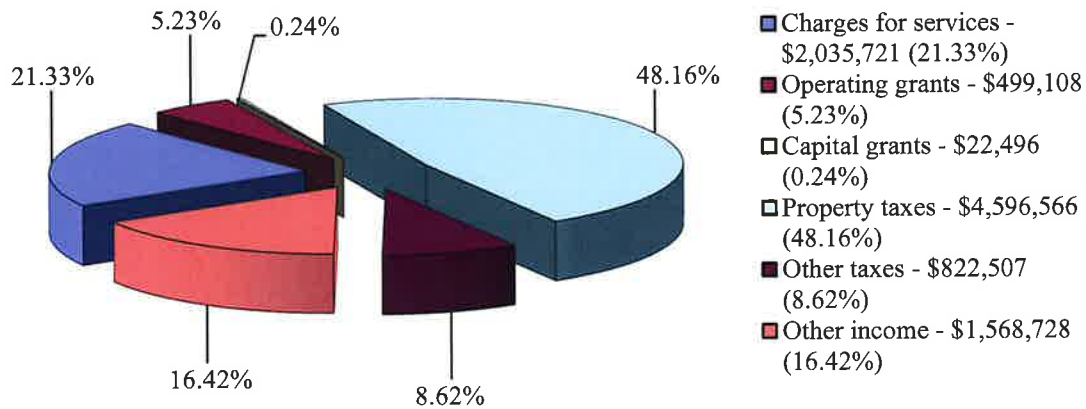
Business-type activities increased the Town of Signal Mountain, Tennessee's net position by \$87,693.

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

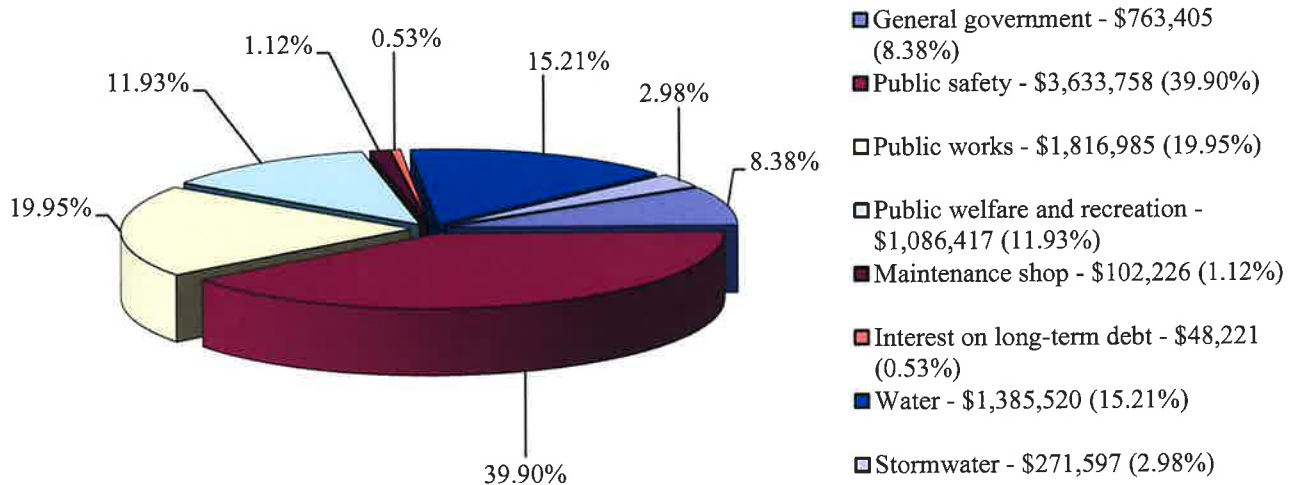
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 320,363	\$ 280,128	\$ 1,715,358	\$ 1,771,350	\$ 2,035,721	\$ 2,051,478
Operating grants and contributions	499,108	260,488	-	-	499,108	260,488
Capital grant and contributions	22,496	39,778	-	-	22,496	39,778
General revenues:						
Property taxes	4,596,566	4,063,189	-	-	4,596,566	4,063,189
Other taxes	822,507	815,497	-	-	822,507	815,497
Other income	<u>1,539,276</u>	<u>1,508,989</u>	<u>29,452</u>	<u>15,851</u>	<u>1,568,728</u>	<u>1,524,840</u>
Total revenues	<u>7,800,316</u>	<u>6,968,069</u>	<u>1,744,810</u>	<u>1,787,201</u>	<u>9,545,126</u>	<u>8,755,270</u>
Expenses:						
General government	763,405	739,790	-	-	763,405	739,790
Public safety	3,633,758	3,208,946	-	-	3,633,758	3,208,946
Public works	1,816,985	1,914,334	-	-	1,816,985	1,914,334
Public welfare and recreation	1,086,417	1,106,026	-	-	1,086,417	1,106,026
Maintenance shop	102,226	88,131	-	-	102,226	88,131
Interest on long-term debt	48,221	29,873	-	-	48,221	29,873
Water	-	-	1,385,520	1,435,153	1,385,520	1,435,153
Stormwater	-	-	<u>271,597</u>	<u>240,582</u>	<u>271,597</u>	<u>240,582</u>
Total expenses	<u>7,451,012</u>	<u>7,087,100</u>	<u>1,657,117</u>	<u>1,675,735</u>	<u>9,108,129</u>	<u>8,762,835</u>
Change in net position	349,304	( 119,031)	87,693	111,466	436,997	( 7,565)
Net position - beginning (as restated)	<u>13,298,712</u>	<u>13,580,834</u>	<u>7,393,908</u>	<u>7,302,599</u>	<u>20,692,620</u>	<u>20,883,433</u>
Net position - end	<u>\$ 13,648,016</u>	<u>\$ 13,461,803</u>	<u>\$ 7,481,601</u>	<u>\$ 7,414,065</u>	<u>\$ 21,129,617</u>	<u>\$ 20,875,868</u>

The graphs below summarize the \$9,545,126 of town-wide revenue by source and the associated \$9,108,129 of expense by program. The graphs combine data from both governmental and business-type activities.

### Town-Wide Sources of Revenue



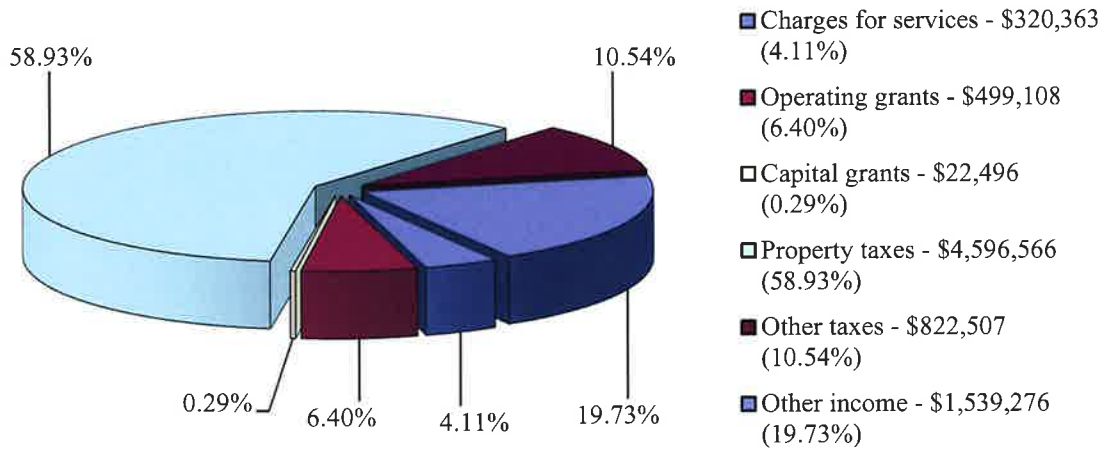
### Town-Wide Program Expenses



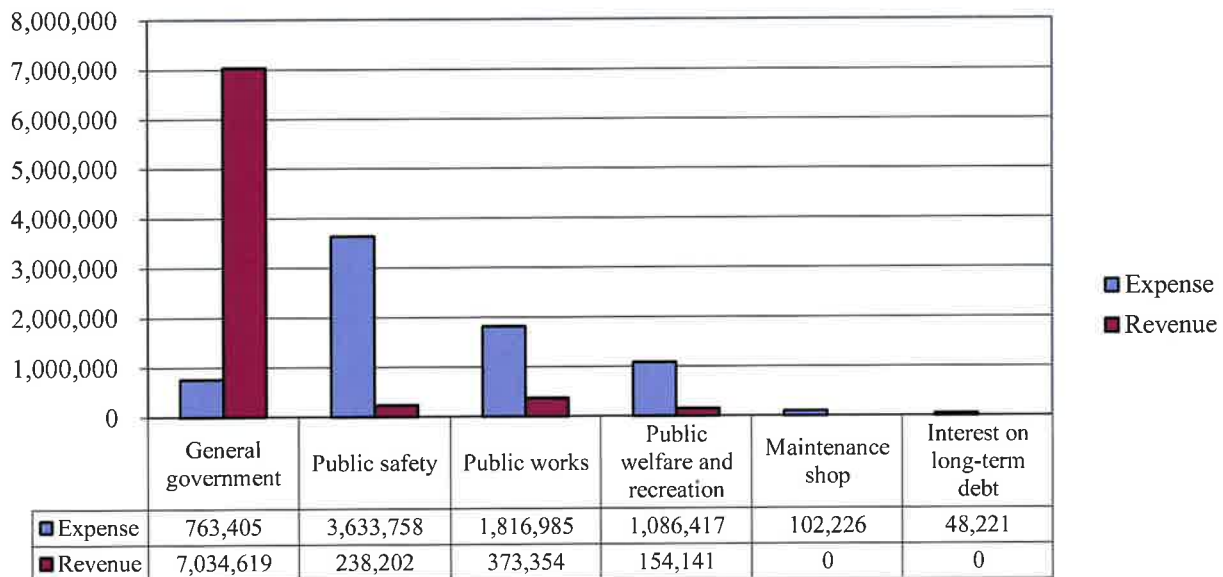
## Governmental Activities

Governmental activities accounted for revenues of \$7,800,316. The following graph summarizes revenue by source.

**Revenue by Source -  
Governmental Activities**



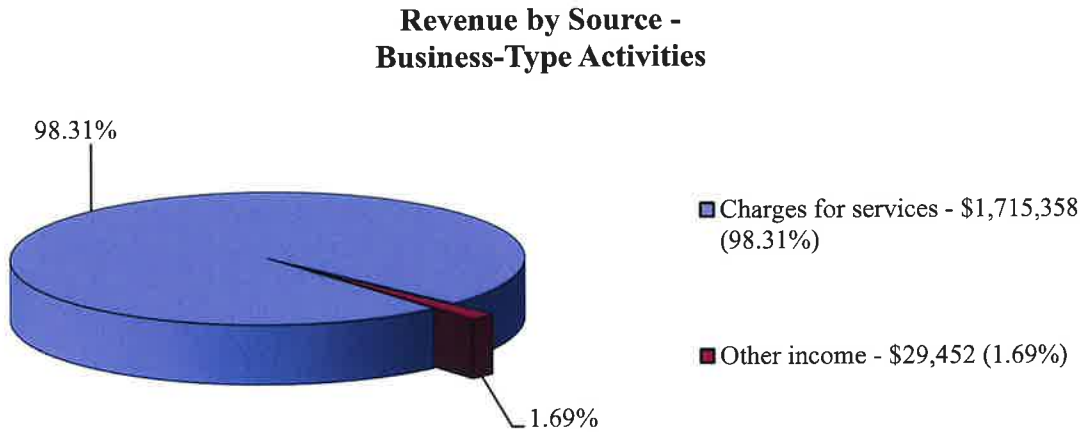
**Expenses and Program Revenues -  
Governmental Activities**



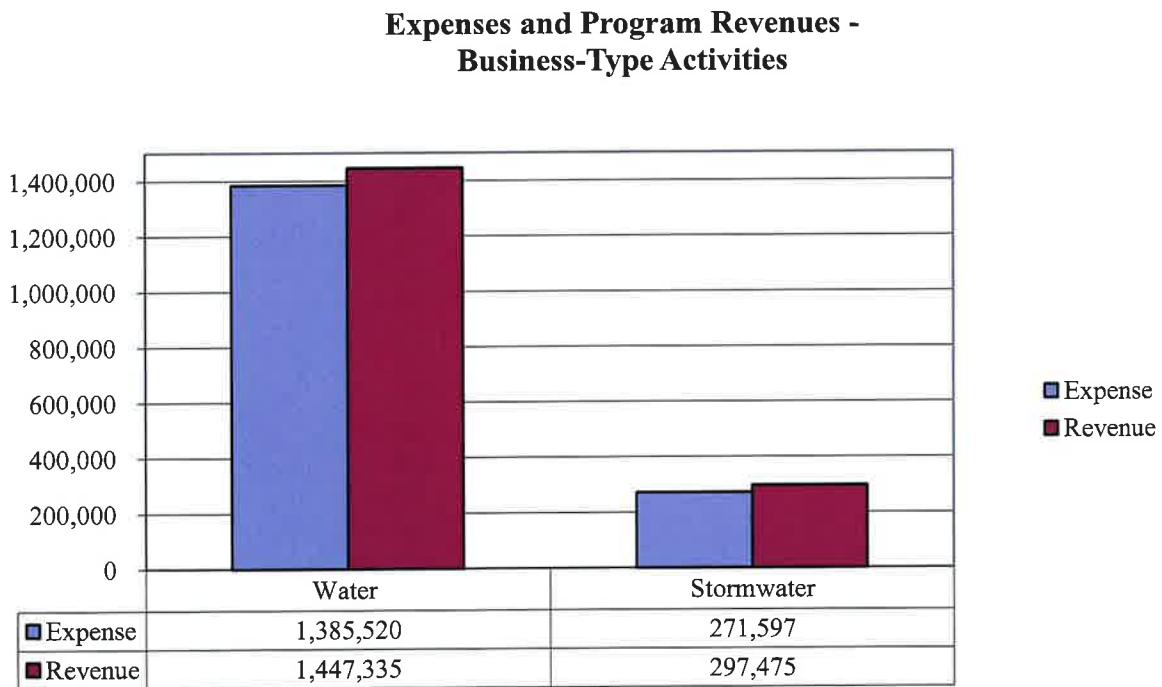


### Business-type Activities

Business-type activities accounted for revenues of \$1,744,810. 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 \$7,625,658. Approximately 75.22% of this total amount, or \$5,736,165, constitutes unassigned fund balance. Committed funds consist of \$721,930 for the purchase of mobile assets and \$439,626 for building construction. Restricted funds consist of \$673,810 for the use of street expenditures and \$20,585 for use in investigations of drug-related violations and drug prevention programs and \$28,000 for Mountain Arts expenditures. Nonspendable funds consist of \$5,542 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 \$5,736,165. 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 85.27% 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 \$2,976,978 for the Water Fund and \$729,277 for the Stormwater Fund.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were approximately \$216,062, and are listed below:

General Fund budgeted expenditures increased \$196,706.

General Fund budgeted transfers out increased \$19,356.

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)

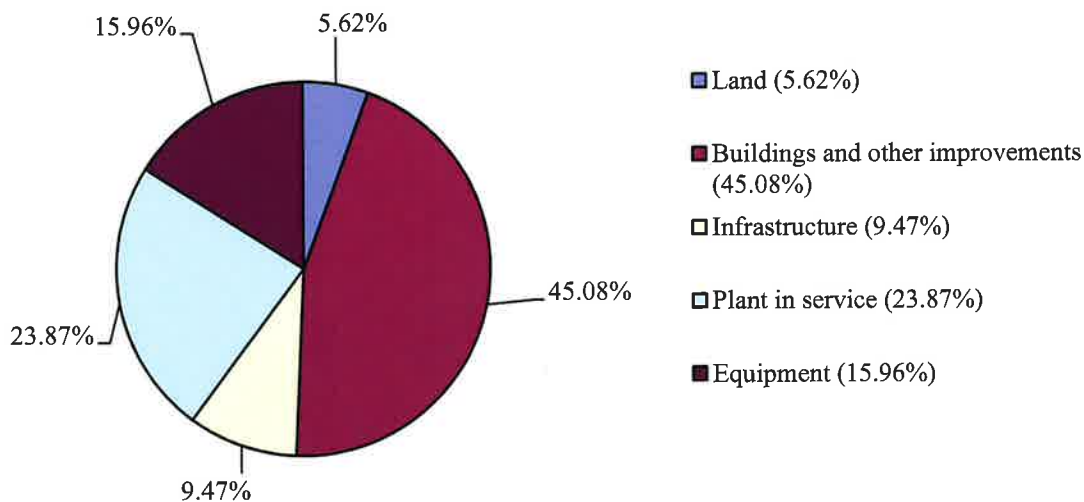
	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 844,313	\$ 844,313	\$ -	\$ -	\$ 844,313	\$ 844,313
Buildings and other improvements	6,767,336	4,118,126	-	-	6,767,336	4,118,126
Infrastructure	1,421,654	1,432,722	-	-	1,421,654	1,432,722
Plant in service	-	-	3,583,633	2,925,516	3,583,633	2,925,516
Equipment	2,204,842	2,295,766	191,713	94,458	2,396,555	2,390,224
<b>Total capital assets</b>	<b>\$ 11,238,145</b>	<b>\$ 8,690,927</b>	<b>\$ 3,775,346</b>	<b>\$ 3,019,974</b>	<b>\$ 15,013,491</b>	<b>\$11,710,901</b>

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

Water line improvements	\$ 791,215
Fire Station	\$ 2,009,377
2019 Pierce Pumper	\$ 551,439
Building - 714 Mississippi	\$ 193,417
2018 Smith Hooklift truck	\$ 179,884

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



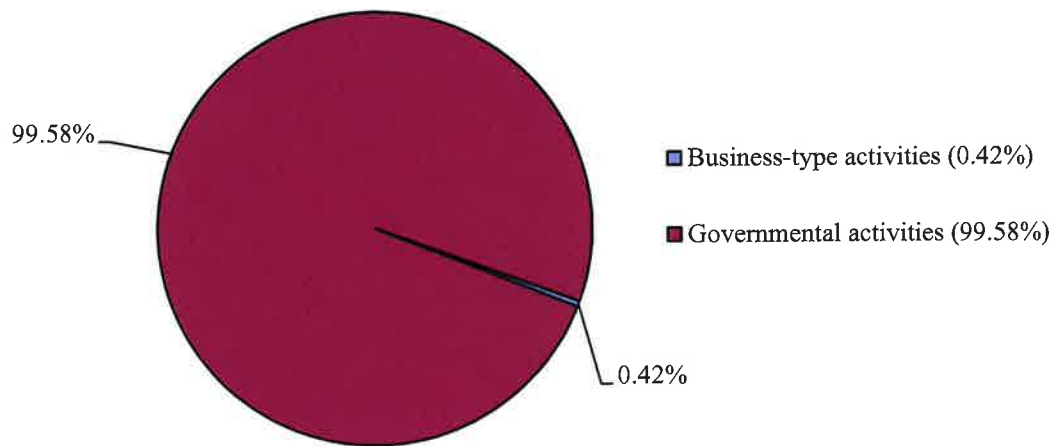
Additional information on the Town of Signal Mountain, Tennessee's capital assets can be found in Note 8 on page 47 and 48 of this report.

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

At the end of the current fiscal year, the Town of Signal Mountain, Tennessee had total long-term debt outstanding of \$4,533,466; of that amount none is due in the next fiscal year.

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Capital outlay notes	\$ 4,300,864	\$ 1,641,873	\$ -	\$ -	\$ 4,300,864	\$ 1,641,873
Compensated absences	213,466	171,682	19,136	28,777	232,602	200,459
Current portion	-	( 93,948)	-	-	-	( 93,948)
Total long-term debt	<u>\$ 4,514,330</u>	<u>\$ 1,719,607</u>	<u>\$ 19,136</u>	<u>\$ 28,777</u>	<u>\$ 4,533,466</u>	<u>\$ 1,748,384</u>

### Long-Term Debt By Activity



Additional information on outstanding debt can be found in Note 11 on pages 49 and 50.

### Currently Known Conditions Affecting Future Years

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. The loan agreement provides for one principal payment per year and monthly variable interest payments. Additional principal payments are permitted. Costs associated with the construction of a public works facility and the fire station resulted in a drawdown of \$2,123,291 by the end of fiscal year 2017-2018 leaving a balance of \$876,709 still available.

### **Currently Known Conditions Affecting Future Years (Continued)**

In fiscal year 2017-2018, the Town obtained 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 is 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. At the end of the fiscal year 2017-2018 the Town has drawn \$2,290,862, leaving a balance of \$709,138 still available. This project is expected to be completed in the summer of 2018.

These loans are listed as a part of the total governmental debt summary shown on page 49.

In 2018-2019 the Town has budgeted to pursue an ambitious list of projects to improve roadways, bridges, athletic fields and facilities. As a result, it is anticipated that the General Fund fund balance will see a sizeable decrease. However, it is also anticipated that this end of year fund balance will comply with the Town's Fund Balance Policy regarding the relationship between unassigned fund balance and budgeted expenditures.

### **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, 2018**

	Primary Government			Component Unit
	Governmental	Business-type	Total	Public Library
	Activities	Activities		Board
<b>ASSETS</b>				
Current assets				
Cash	\$ 2,361,318	\$ 1,607,757	\$ 3,969,075	\$ 24,383
Investments	4,620,340	2,160,300	6,780,640	44,640
Property taxes - net	4,798,509	-	4,798,509	-
Grants receivable	93,972	-	93,972	-
Receivable - net	339,147	368,839	707,986	-
Due from other governments	749,154	-	749,154	-
Internal balance	(18,611)	18,611	-	-
Inventories	5,542	84,010	89,552	-
Total current assets	<u>12,949,371</u>	<u>4,239,517</u>	<u>17,188,888</u>	<u>69,023</u>
Non-current assets				
Other assets				
Customer lists - Walden's Ridge - net	-	4,933	4,933	-
Capital assets				
Land and construction in progress	844,313	-	844,313	-
Other capital assets - net of depreciation	<u>10,393,832</u>	<u>3,775,346</u>	<u>14,169,178</u>	-
Total capital assets	<u>11,238,145</u>	<u>3,775,346</u>	<u>15,013,491</u>	-
Total non-current assets	<u>11,238,145</u>	<u>3,780,279</u>	<u>15,018,424</u>	-
<b>TOTAL ASSETS</b>	<u>\$ 24,187,516</u>	<u>\$ 8,019,796</u>	<u>\$ 32,207,312</u>	<u>\$ 69,023</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	\$ 806,050	\$ 95,833	\$ 901,883	\$ -
Deferred outflows related to OPEB	1,093	135	1,228	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 807,143</u>	<u>\$ 95,968</u>	<u>\$ 903,111</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 401,718	\$ 207,125	\$ 608,843	\$ -
Payable to pension	42,763	-	42,763	-
Accrued liabilities	<u>89,911</u>	<u>9,774</u>	<u>99,685</u>	-
Total current liabilities	<u>534,392</u>	<u>216,899</u>	<u>751,291</u>	-
Non-current liabilities				
Customer deposits	-	206,139	206,139	-
Notes payable	4,300,864	-	4,300,864	-
Compensated absences payable	213,466	19,136	232,602	-
Net pension liability	1,231,700	152,233	1,383,933	-
Net OPEB liability	<u>172,089</u>	<u>21,269</u>	<u>193,358</u>	-
Total non-current liabilities	<u>5,918,119</u>	<u>398,777</u>	<u>6,316,896</u>	-
<b>TOTAL LIABILITIES</b>	<u>\$ 6,452,511</u>	<u>\$ 615,676</u>	<u>\$ 7,068,187</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	\$ 140,514	\$ 17,368	\$ 157,882	\$ -
Deferred revenue - property taxes	4,744,560	-	4,744,560	-
Deferred inflows related to OPEB	<u>9,058</u>	<u>1,119</u>	<u>10,177</u>	-
Total deferred inflows of resources	<u>\$ 4,894,132</u>	<u>\$ 18,487</u>	<u>\$ 4,912,619</u>	<u>\$ -</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 6,937,281	\$ 3,775,346	\$ 10,712,627	\$ -
Restricted for Mountain Arts	28,000	-	28,000	-
Restricted for drug enforcement program	20,585	-	20,585	-
Restricted for state street aid	673,810	-	673,810	-
Unrestricted	<u>5,988,340</u>	<u>3,706,255</u>	<u>9,694,595</u>	<u>69,023</u>
<b>TOTAL NET POSITION</b>	<u>\$ 13,648,016</u>	<u>\$ 7,481,601</u>	<u>\$ 21,129,617</u>	<u>\$ 69,023</u>

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Statement of Activities**  
**Year Ended June 30, 2018**

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government					
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total			
<b>Primary Government</b>										
Governmental activities:										
General government										
Judicial	\$ 383,427	\$ -	\$ -	\$ -	\$ -	\$ (383,427)	\$ -	\$ (383,427)	\$ -	
Financial administration	243,099	-	-	-	-	(243,099)	-	(243,099)	-	
Building inspection	136,879	76,270	-	-	-	(60,609)	-	(60,609)	-	
Public safety										
Police department	1,563,578	41,083	197,119	-	-	(1,325,376)	-	(1,325,376)	-	
Fire department	2,070,180	-	-	-	-	(2,070,180)	-	(2,070,180)	-	
Highway and streets										
Public works administration	121,254	-	-	-	-	(121,254)	-	(121,254)	-	
Highway and street maintenance	999,410	-	297,273	22,496	-	(679,641)	-	(679,641)	-	
Sanitation										
Solid waste department	629,535	44,069	-	-	-	(585,466)	-	(585,466)	-	
Recycle center	66,786	9,516	-	-	-	(57,270)	-	(57,270)	-	
Public welfare and recreation										
Recreation	689,597	105,091	4,716	-	-	(579,790)	-	(579,790)	-	
Mountain Arts Community Center	187,233	32,584	-	-	-	(154,649)	-	(154,649)	-	
Library	209,587	11,750	-	-	-	(197,837)	-	(197,837)	-	
Maintenance shop	102,226	-	-	-	-	(102,226)	-	(102,226)	-	
Interest on long-term debt	48,221	-	-	-	-	(48,221)	-	(48,221)	-	
Total governmental activities	<u>7,451,012</u>	<u>320,363</u>	<u>499,108</u>	<u>22,496</u>	<u>-</u>	<u>(6,609,045)</u>	<u>-</u>	<u>(6,609,045)</u>	<u>-</u>	
Business-type activities:										
Water	1,385,520	1,418,567	-	-	-	-	33,047	33,047	-	
Stormwater	271,597	296,791	-	-	-	-	25,194	25,194	-	
Total business-type activities	<u>1,657,117</u>	<u>1,715,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,241</u>	<u>58,241</u>	<u>-</u>	
Total primary government	<u>\$ 9,108,129</u>	<u>\$ 2,035,721</u>	<u>\$ 499,108</u>	<u>\$ 22,496</u>	<u>-</u>	<u>(6,609,045)</u>	<u>58,241</u>	<u>(6,550,804)</u>	<u>-</u>	
<b>Component Unit</b>										
Library Board	<u>\$ 5,115</u>	<u>\$ 31,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,001</u>	
General Revenues:										
Property taxes, interest and penalty						4,596,566	-	4,596,566	-	
Public utilities taxes						133,958	-	133,958	-	
Sales taxes						389,264	-	389,264	-	
Franchise tax						176,469	-	176,469	-	
Business taxes						42,715	-	42,715	-	
Alcoholic beverages taxes						80,101	-	80,101	-	
Grants and contributions not restricted to specific programs						1,369,981	-	1,369,981	-	
Investment income						50,814	29,452	80,266	-	
Rent on land						45,046	-	45,046	-	
Miscellaneous						73,435	-	73,435	-	
Total general revenues						<u>6,958,349</u>	<u>29,452</u>	<u>6,987,801</u>	<u>-</u>	
Change in net position						<u>349,304</u>	<u>87,693</u>	<u>436,997</u>	<u>26,001</u>	
Net position - beginning (as restated)						<u>13,298,712</u>	<u>7,393,908</u>	<u>20,692,620</u>	<u>43,022</u>	
Net position - end						<u>\$ 13,648,016</u>	<u>\$ 7,481,601</u>	<u>\$ 21,129,617</u>	<u>\$ 69,023</u>	

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



**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2018**

	<b>General Fund</b>	<b>Capital Projects Building Construction Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash	\$ 841,038	\$ 441,127	\$ 1,079,153	\$ 2,361,318
Investments	4,356,457	-	263,883	4,620,340
Property taxes - net	4,798,509	-	-	4,798,509
Grants receivable	93,972	-	-	93,972
Receivable - net	45,437	293,710	-	339,147
Inventory	5,542	-	-	5,542
Due from other funds	52,916	-	25,612	78,528
Due from other governments	699,896	-	49,258	749,154
<b>TOTAL ASSETS</b>	<b><u>\$10,893,767</u></b>	<b><u>\$ 734,837</u></b>	<b><u>\$ 1,417,906</u></b>	<b><u>\$ 13,046,510</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 104,926	\$ 295,211	\$ 1,581	\$ 401,718
Payable to pension	42,763	-	-	42,763
Accrued liabilities	89,911	-	-	89,911
Due to other funds	97,139	-	-	97,139
<b>TOTAL LIABILITIES</b>	<b><u>\$ 334,739</u></b>	<b><u>\$ 295,211</u></b>	<b><u>\$ 1,581</u></b>	<b><u>\$ 631,531</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	\$ 4,789,321	\$ -	\$ -	\$ 4,789,321
<b>FUND BALANCES</b>				
Nonspendable	\$ 5,542	\$ -	\$ -	\$ 5,542
Restricted	28,000	-	694,395	722,395
Committed	-	439,626	721,930	1,161,556
Unassigned	5,736,165	-	-	5,736,165
<b>TOTAL FUND BALANCES</b>	<b><u>\$ 5,769,707</u></b>	<b><u>\$ 439,626</u></b>	<b><u>\$ 1,416,325</u></b>	<b><u>\$ 7,625,658</u></b>

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, 2018**

Total fund balances per governmental funds balance sheet	\$ 7,625,658
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,238,145
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.	(4,514,330)
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.	(566,164)
OPEB liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds.	(180,054)
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>44,761</u>
Net position of governmental activities	<u>\$ 13,648,016</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, 2018**

	<b>General Fund</b>	<b>Capital Projects Building Construction Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$5,248,120	\$ -	\$ -	\$ 5,248,120
Licenses and permits	76,170	-	-	76,170
Intergovernmental	1,601,828	-	285,041	1,886,869
Charges for services	243,327	-	-	243,327
Fines and forfeitures	34,114	-	914	35,028
Other revenues	<u>311,964</u>	<u>-</u>	<u>4,352</u>	<u>316,316</u>
<b>TOTAL REVENUES</b>	<u>7,515,523</u>	<u>-</u>	<u>290,307</u>	<u>7,805,830</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
General government	738,888	-	-	738,888
Public safety	3,384,527	-	2,551	3,387,078
Public works	1,094,520	-	419,651	1,514,171
Public welfare and recreation	975,758	-	-	975,758
Maintenance shop	99,494	-	-	99,494
<b>Capital Outlay</b>	154,334	2,764,103	304,482	3,222,919
<b>Debt Service</b>	<u>279,169</u>	<u>-</u>	<u>-</u>	<u>279,169</u>
<b>TOTAL EXPENDITURES</b>	<u>6,726,690</u>	<u>2,764,103</u>	<u>726,684</u>	<u>10,217,477</u>
Excess (deficiency) of revenues over (under) expenditures	<u>788,833</u>	<u>(2,764,103)</u>	<u>(436,377)</u>	<u>(2,411,647)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt issuance	-	2,889,939	-	2,889,939
Bond issue	-	(18,000)	-	(18,000)
Transfers in	-	-	594,894	594,894
Transfers out	<u>(594,894)</u>	<u>-</u>	<u>-</u>	<u>(594,894)</u>
Total other financing sources (uses)	<u>(594,894)</u>	<u>2,871,939</u>	<u>594,894</u>	<u>2,871,939</u>
Net changes in fund balances	193,939	107,836	158,517	460,292
<b>Fund balances - beginning</b>	<u>5,575,768</u>	<u>331,790</u>	<u>1,257,808</u>	<u>7,165,366</u>
<b>Fund balances - end</b>	<u>\$5,769,707</u>	<u>\$ 439,626</u>	<u>\$ 1,416,325</u>	<u>\$ 7,625,658</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, 2018**

Net change in fund balances for total governmental funds	\$ 460,292
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.	2,547,218
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(5,516)
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.	230,948
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.	(2,889,939)
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.	65,047
OPEB expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year OPEB contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities.	(16,962)
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>(41,784)</u>
Change in net position of governmental activities	<u>\$ 349,304</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, 2018**

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes				
Property taxes	\$ 4,588,715	\$ 4,588,715	\$ 4,590,408	\$ 1,693
Interest and penalties	9,000	9,000	11,674	2,674
Public utilities	95,000	95,000	108,821	13,821
In lieu - water fund	25,000	25,000	25,137	137
Local option sales taxes	350,000	350,000	389,264	39,264
Wholesale beer tax	65,000	65,000	80,101	15,101
Minimum business taxes	4,800	4,800	5,543	743
Gross receipts tax	35,000	35,000	37,172	2,172
Total taxes	5,172,515	5,172,515	5,248,120	75,605
License and permits				
Beer and liquor license	2,220	2,220	2,470	250
Building permits	54,900	54,900	73,390	18,490
Other permits	225	225	310	85
Total license and permits	57,345	57,345	76,170	18,825
Intergovernmental				
Federal grants	226,349	226,349	215,021	(11,328)
TVA replacement	95,000	95,000	94,832	(168)
Fire and police supplemental	15,700	15,700	19,200	3,500
State sales tax	675,000	675,000	712,733	37,733
Telecommunication tax	500	500	5,220	4,720
State income tax and excise tax	504,000	504,000	511,276	7,276
State beer tax	4,000	4,000	3,901	(99)
Mixed drink tax	11,000	11,000	22,819	11,819
Streets and transportation	16,000	16,000	16,826	826
Total intergovernmental	1,547,549	1,547,549	1,601,828	54,279
Charges for services				
Sanitation charges for service	51,454	51,454	42,828	(8,626)
Police special services	7,500	7,500	2,550	(4,950)
Fingerprint fees	3,500	3,500	3,505	5
Library charges	8,286	8,286	11,723	3,437
Recreation activities	117,361	117,361	105,091	(12,270)
Mountain Arts Community Center	37,693	37,693	32,584	(5,109)
Rent	50,878	50,878	45,046	(5,832)
Total charges for services	276,672	276,672	243,327	(33,345)
Fines and forfeitures				
City court revenues	35,000	35,000	34,114	(886)

(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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES (Continued)</b>				
Other revenue				
Interest earnings	\$ 1,100	\$ 1,100	\$ 50,524	\$ 49,424
Insurance recovery	-	-	4,716	4,716
CATV franchise	137,000	137,000	176,469	39,469
Sale of materials and supplies	25,000	25,000	18,031	(6,969)
Miscellaneous	18,550	18,550	19,742	1,192
Contributions and donations	8,000	8,000	42,482	34,482
Total other revenue	<u>189,650</u>	<u>189,650</u>	<u>311,964</u>	<u>122,314</u>
<b>TOTAL REVENUES</b>	<u>7,278,731</u>	<u>7,278,731</u>	<u>7,515,523</u>	<u>236,792</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
<b>General government</b>				
Judicial				
Salaries	36,298	36,298	36,304	(6)
Payroll taxes	2,777	2,777	2,726	51
Fringe benefits	4,444	4,444	2,686	1,758
Pension expense	1,821	1,821	1,821	-
Insurance	522	522	549	(27)
Miscellaneous	325	325	-	325
Office supplies	700	700	523	177
Operating supplies	6,292	6,292	4,406	1,886
Postage and printing	125	125	31	94
Professional and contract services	3,501	3,501	487	3,014
Repairs and maintenance	30	30	-	30
Telephone and other communications	300	300	330	(30)
Travel and training	100	100	144	(44)
Total judicial	<u>57,235</u>	<u>57,235</u>	<u>50,007</u>	<u>7,228</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, 2018**

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
General government (Continued)				
Administration				
Salaries	\$ 200,174	\$ 196,635	\$ 175,663	\$ 20,972
Payroll taxes	14,579	14,579	13,652	927
Fringe benefits	44,304	46,213	27,607	18,606
Pension expense	16,294	16,294	14,822	1,472
Insurance	2,986	3,016	3,876	(860)
Miscellaneous	27,850	29,350	14,614	14,736
Office supplies	2,700	2,200	1,923	277
Operating supplies	5,304	4,104	4,557	(453)
Postage and printing	8,380	7,680	7,506	174
Professional and contract services	71,575	68,575	56,088	12,487
Repairs and maintenance	1,560	1,560	1,480	80
Telephone and other communications	1,000	1,200	1,721	(521)
Travel and training	6,500	11,000	9,518	1,482
Utilities	5,575	6,575	5,412	1,163
Vehicle expense	-	100	66	34
Total administration	408,781	409,081	338,505	70,576
Finance				
Salaries	101,536	101,536	101,602	(66)
Payroll taxes	7,813	7,813	7,474	339
Fringe benefits	25,415	16,682	16,804	(122)
Pension expense	-	8,733	8,687	46
Insurance	2,041	2,111	1,952	159
Miscellaneous	9,750	7,750	1,667	6,083
Office supplies	3,800	3,800	2,337	1,463
Operating supplies	30,303	30,033	28,892	1,141
Postage and printing	11,050	11,050	12,627	(1,577)
Professional and contract services	25,076	25,076	22,749	2,327
Repairs and maintenance	750	750	678	72
Telephone and other communications	858	858	788	70
Travel and training	3,000	3,000	2,040	960
Utilities	5,325	5,525	4,872	653
Total finance	226,717	224,717	213,169	11,548

(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, 2018**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
<b>General government (Continued)</b>				
Building and codes				
Salaries	\$ 88,080	\$ 88,080	\$ 88,225	\$ (145)
Payroll taxes	6,738	6,738	6,544	194
Fringe benefits	19,063	19,063	15,836	3,227
Pension expense	9,279	9,279	7,543	1,736
Insurance	5,549	5,549	5,788	(239)
Office supplies	1,000	1,000	654	346
Operating supplies	6,455	6,455	4,758	1,697
Postage and printing	3,900	3,900	257	3,643
Professional and contract services	5,026	5,026	487	4,539
Repairs and maintenance	3,020	3,020	1,709	1,311
Telephone and other communications	3,500	3,500	2,959	541
Travel and training	2,500	2,500	944	1,556
Vehicle expense	1,000	1,000	1,503	(503)
Total building and codes	<u>155,110</u>	<u>155,110</u>	<u>137,207</u>	<u>17,903</u>
Total general government	<u>847,843</u>	<u>846,143</u>	<u>738,888</u>	<u>107,255</u>
<b>Public safety</b>				
Police				
Salaries	814,161	814,161	820,317	(6,156)
Payroll taxes	62,284	62,284	59,302	2,982
Fringe benefits	164,012	164,012	152,941	11,071
Pension expense	97,532	97,532	95,959	1,573
Animal control	10,000	10,000	9,900	100
Insurance	63,652	63,652	60,167	3,485
Miscellaneous	700	700	-	700
Office supplies	2,000	2,000	1,914	86
Operating supplies	38,530	38,530	104,696	(66,166)
Postage and printing	3,600	3,600	1,813	1,787
Professional and contract services	101,814	101,814	91,061	10,753
Repairs and maintenance	14,180	14,180	16,333	(2,153)
Telephone and other communications	21,551	21,551	15,172	6,379
Travel and training	8,500	8,500	9,524	(1,024)
Utilities	6,200	6,200	5,127	1,073
Vehicle expense	41,200	41,200	30,283	10,917
Total police	<u>1,449,916</u>	<u>1,449,916</u>	<u>1,474,509</u>	<u>(24,593)</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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
<b>Public safety (Continued)</b>				
Fire protection and control services				
Salaries	\$ 934,380	\$ 934,380	\$ 922,842	\$ 11,538
Payroll taxes	71,480	71,480	65,673	5,807
Fringe benefits	261,122	261,122	260,330	792
Pension expense	112,021	112,021	108,108	3,913
Insurance	56,269	59,469	56,904	2,565
Miscellaneous	10,500	10,500	10,333	167
Office supplies	1,600	1,600	1,190	410
Operating supplies	65,061	134,684	126,875	7,809
Postage and printing	3,650	3,650	3,357	293
Professional and contract services	60,000	60,377	55,561	4,816
Repairs and maintenance	24,430	24,430	23,503	927
Telephone and other communications	6,300	6,300	5,129	1,171
Travel and training	19,000	29,000	27,627	1,373
Utilities	13,400	13,400	11,434	1,966
Vehicle expense	12,500	12,500	12,855	(355)
Total fire protection and control services	<u>1,651,713</u>	<u>1,734,913</u>	<u>1,691,721</u>	<u>43,192</u>
Fire station grants				
Salaries	-	169,843	151,010	18,833
Payroll taxes	-	12,993	10,913	2,080
Fringe benefits	-	92,072	37,925	54,147
Pension expense	-	20,466	18,197	2,269
Insurance	-	6,092	252	5,840
Total fire station grants	<u>-</u>	<u>301,466</u>	<u>218,297</u>	<u>83,169</u>
Total public safety	<u>3,101,629</u>	<u>3,486,295</u>	<u>3,384,527</u>	<u>101,768</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, 2018**

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public works				
Public works administration				
Salaries	\$ 80,523	\$ 80,523	\$ 53,883	\$ 26,640
Payroll taxes	6,160	6,160	3,601	2,559
Fringe benefits	33,465	33,465	16,516	16,949
Pension expense	6,885	6,885	4,598	2,287
Insurance	1,802	2,032	1,939	93
Miscellaneous	500	500	541	(41)
Office supplies	600	900	1,596	(696)
Operating supplies	1,750	2,214	12,208	(9,994)
Postage and printing	1,250	1,320	1,195	125
Professional and contract services	900	600	64	536
Repairs and maintenance	500	430	106	324
Telephone and other communications	2,950	550	421	129
Travel and training	2,500	2,500	2,414	86
Utilities	19,550	5,550	3,952	1,598
Vehicle expense	600	600	317	283
Total public works administration	159,935	144,229	103,351	40,878
Highway and street maintenance				
Salaries	196,826	191,826	137,127	54,699
Payroll taxes	15,057	14,674	9,683	4,991
Fringe benefits	105,160	105,114	91,717	13,397
Pension expense	16,829	16,401	11,746	4,655
Insurance	29,948	30,598	20,170	10,428
Miscellaneous	1,000	1,000	418	582
Office supplies	150	450	550	(100)
Operating supplies	10,627	11,127	9,436	1,691
Paving and road repair	31,000	28,551	20,698	7,853
Postage and printing	1,000	1,000	913	87
Professional and contract services	-	29	69	(40)
Repairs and maintenance	27,500	27,500	29,936	(2,436)
Telephone and other communications	2,500	2,550	2,182	368
Travel and training	2,000	2,000	2,424	(424)
Utilities	-	1,400	996	404
Vehicle expense	25,100	25,100	23,033	2,067
Total highway and street maintenance	464,697	459,320	361,098	98,222

(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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
<b>Public works (Continued)</b>				
Solid waste department				
Salaries	\$ 209,931	\$ 216,431	\$ 218,428	\$ (1,997)
Payroll taxes	16,060	16,060	15,500	560
Fringe benefits	24,981	24,981	25,365	(384)
Pension expense	14,850	14,850	15,864	(1,014)
Insurance	19,788	23,171	23,202	(31)
Landfill - hauling services	48,000	48,000	56,079	(8,079)
Landfill services	85,000	85,000	84,950	50
Miscellaneous	3,000	3,464	5,526	(2,062)
Office supplies	395	395	253	142
Operating supplies	2,751	3,402	2,580	822
Postage and printing	1,350	1,350	1,280	70
Professional and contract services	32,000	48,603	48,103	500
Repair and maintenance	22,300	30,300	38,311	(8,011)
Telephone and other communications	500	450	373	77
Travel and training	1,000	1,000	855	145
Utilities	-	900	975	(75)
Vehicle expense	44,300	36,294	27,297	8,997
Total solid waste department	<u>526,206</u>	<u>554,651</u>	<u>564,941</u>	<u>(10,290)</u>
Recycling centers				
Salaries	35,229	8,189	8,325	(136)
Payroll taxes	2,695	2,695	591	2,104
Fringe benefits	2,321	2,321	2,728	(407)
Pension expense	700	700	712	(12)
Insurance	3,115	3,115	2,500	615
Operating supplies	1,200	1,200	484	716
Postage and printing	-	-	25	(25)
Professional and contract services	-	40,000	47,788	(7,788)
Repair and maintenance	3,500	1,000	255	745
Telephone and other communications	600	600	510	90
Utilities	1,050	1,300	1,212	88
Total recycling centers	<u>50,410</u>	<u>61,120</u>	<u>65,130</u>	<u>(4,010)</u>
Total public works	<u>1,201,248</u>	<u>1,219,320</u>	<u>1,094,520</u>	<u>124,800</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, 2018**

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public welfare and recreation				
Mountain Arts Community Center				
Salaries	\$ 82,529	\$ 82,529	\$ 77,264	\$ 5,265
Payroll taxes	6,313	6,313	5,712	601
Fringe benefits	7,486	7,486	7,382	104
Pension expense	4,169	4,169	4,164	5
Insurance	5,154	5,154	5,181	(27)
Miscellaneous	600	600	70	530
Office supplies	1,500	1,500	1,330	170
Operating supplies	18,192	18,192	5,478	12,714
Postage and printing	7,300	7,300	11,653	(4,353)
Professional and contract services	5,250	5,250	2,057	3,193
Repairs and maintenance	8,300	8,300	4,844	3,456
Telephone and other communications	2,000	2,000	1,763	237
Travel and training	1,250	1,250	175	1,075
Utilities	27,000	27,000	22,328	4,672
Vehicle expense	50	50	135	(85)
Total Mountain Arts Community Center	177,093	177,093	149,536	27,557
Recreation administration				
Salaries	54,502	54,502	54,488	14
Payroll taxes	4,169	4,169	4,120	49
Fringe benefits	649	649	725	(76)
Pension expense	4,660	4,660	4,659	1
Insurance	2,848	2,922	1,280	1,642
Miscellaneous	100	200	193	7
Office supplies	1,000	626	7	619
Operating supplies	1,000	1,000	-	1,000
Postage and printing	3,800	3,800	2,486	1,314
Telephone and other communications	2,000	2,000	691	1,309
Travel and training	1,500	1,500	55	1,445
Utilities	1,100	1,300	707	593
Total recreation administration	77,328	77,328	69,411	7,917

(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, 2018**

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public welfare and recreation (Continued)				
Pool				
Salaries	\$ 48,337	\$ 49,837	\$ 47,768	\$ 2,069
Payroll tax	3,698	3,813	3,638	175
Pension expense	581	581	589	(8)
Insurance	5,834	6,069	3,857	2,212
Miscellaneous	1,500	1,500	1,445	55
Office supplies	600	425	195	230
Operating supplies	17,400	16,900	25,006	(8,106)
Repairs and maintenance	16,500	16,500	16,028	472
Telephone and other communications	400	900	385	515
Utilities	29,000	29,000	23,243	5,757
Total pool	123,850	125,525	122,154	3,371
Concessions				
Salaries	6,400	9,500	11,169	(1,669)
Payroll tax	490	727	854	(127)
Insurance	501	634	649	(15)
Operating supplies	5,000	6,000	9,379	(3,379)
Total concessions	12,391	16,861	22,051	(5,190)
Parks and recreation maintenance				
Salaries	95,174	99,714	104,174	(4,460)
Payroll taxes	7,281	7,625	7,530	95
Fringe benefits	27,035	27,035	28,349	(1,314)
Pension expense	6,722	6,722	6,880	(158)
Insurance	6,561	7,729	7,624	105
Miscellaneous	-	-	189	(189)
Operating supplies	8,600	9,200	5,910	3,290
Repairs and maintenance	24,000	21,500	25,430	(3,930)
Telephone and other communications	1,000	1,000	795	205
Utilities	4,800	4,800	2,399	2,401
Vehicle expense	7,000	8,150	8,879	(729)
Total parks and recreation maintenance	188,173	193,475	198,159	(4,684)
Tennis courts				
Insurance	1,376	1,476	1,429	47
Operating supplies	1,700	3,189	3,425	(236)
Repairs and maintenance	4,000	4,000	3,221	779
Utilities	1,000	1,000	415	585
Total tennis courts	8,076	9,665	8,490	1,175

(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, 2018**

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public welfare and recreation (Continued)				
Ballfield				
Insurance	\$ 1,228	\$ 1,278	\$ 1,275	\$ 3
Operating supplies	5,500	5,600	616	4,984
Repairs and maintenance	19,000	17,000	19,059	(2,059)
Utilities	9,350	9,350	8,578	772
Total ballfield	35,078	33,228	29,528	3,700
Gym				
Salaries	25,052	25,052	19,967	5,085
Payroll taxes	1,917	1,917	1,511	406
Insurance	2,874	3,014	2,912	102
Miscellaneous	-	64	64	-
Operating supplies	3,500	3,500	3,196	304
Repairs and maintenance	3,500	8,072	8,743	(671)
Utilities	11,000	12,500	12,716	(216)
Total gym	47,843	54,119	49,109	5,010
Facilities maintenance				
Salaries	13,447	8,667	7,733	934
Payroll taxes	1,029	663	577	86
Fringe benefits	2,958	2,410	1,834	576
Pension expense	1,150	741	661	80
Insurance	1,837	1,432	1,262	170
Miscellaneous	150	150	-	150
Office supplies	150	150	-	150
Operating supplies	12,200	8,476	7,239	1,237
Postage and printing	300	300	-	300
Professional and contract services	43,000	38,068	57,573	(19,505)
Repairs and maintenance	75,350	77,062	52,973	24,089
Telephone	500	4,000	4,639	(639)
Vehicle expense	700	700	171	529
Total facilities maintenance	152,771	142,819	134,662	8,157

(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, 2018**

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public welfare and recreation (Continued)				
Library				
Salaries	\$ 114,701	\$ 114,701	\$ 111,864	\$ 2,837
Payroll taxes	8,775	8,775	8,497	278
Fringe benefits	14,859	14,859	14,226	633
Pension expense	6,719	6,719	6,745	(26)
Insurance	3,182	3,182	3,275	(93)
Miscellaneous	70	70	136	(66)
Office supplies	3,500	3,500	6,865	(3,365)
Operating supplies	24,772	24,772	24,539	233
Postage and printing	1,900	1,900	1,206	694
Professional and contract services	-	3,432	3,269	163
Repairs and maintenance	5,000	5,000	4,039	961
Telephone and other communications	2,300	2,300	499	1,801
Travel and training	400	400	237	163
Utilities	10,850	10,850	7,261	3,589
Total library	197,028	200,460	192,658	7,802
Total public welfare and recreation	1,019,631	1,030,573	975,758	54,815
Maintenance shop				
Salaries	38,280	43,280	43,232	48
Payroll taxes	2,928	3,311	3,155	156
Fringe benefits	7,423	7,469	4,249	3,220
Pension expense	3,273	3,701	3,696	5
Insurance	3,036	4,226	3,854	372
Miscellaneous	70	70	35	35
Office supplies	50	50	58	(8)
Operating supplies	8,900	10,060	18,362	(8,302)
Professional and contract services	400	400	506	(106)
Repairs and maintenance	2,300	2,837	2,582	255
Telephone and other communications	-	2,480	1,878	602
Travel and training	500	500	365	135
Utilities	1,535	16,835	15,297	1,538
Vehicle expense	2,800	2,603	2,225	378
Total maintenance shop	71,495	97,822	99,494	(1,672)

(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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>EXPENDITURES (Continued)</b>				
<b>Capital Outlay</b>				
General government	\$ 9,000	\$ 10,200	\$ -	\$ 10,200
Public safety	84,843	84,843	15,336	69,507
Public works	35,000	15,000	16,833	(1,833)
Public welfare and recreation	572,000	374,000	102,415	271,585
Maintenance shop	35,000	10,000	19,750	(9,750)
Total capital outlay	<u>735,843</u>	<u>494,043</u>	<u>154,334</u>	<u>339,709</u>
<b>Debt Service</b>				
Principal paid	364,948	364,948	230,948	134,000
Interest	115,418	115,617	48,221	67,396
Total debt service	<u>480,366</u>	<u>480,565</u>	<u>279,169</u>	<u>201,396</u>
<b>TOTAL EXPENDITURES</b>	<u>7,458,055</u>	<u>7,654,761</u>	<u>6,726,690</u>	<u>928,071</u>
Excess (deficiency) of revenues over (under) expenditures	(179,324)	(376,030)	788,833	1,164,863
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(613,878)</u>	<u>(633,234)</u>	<u>(594,894)</u>	<u>38,340</u>
Net changes in fund balances	(793,202)	(1,009,264)	193,939	1,203,203
<b>Fund balances - beginning</b>	<u>5,575,768</u>	<u>5,575,768</u>	<u>5,575,768</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 4,782,566</u>	<u>\$ 4,566,504</u>	<u>\$ 5,769,707</u>	<u>\$ 1,203,203</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, 2018**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Stormwater Fund</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets			
Cash	\$ 881,585	\$ 726,172	\$ 1,607,757
Investments	2,117,836	42,464	2,160,300
Receivable - net	368,839	-	368,839
Due from other funds	-	71,527	71,527
Inventories	84,010	-	84,010
Total current assets	<u>3,452,270</u>	<u>840,163</u>	<u>4,292,433</u>
Non-current assets			
Other assets			
Customer lists - Walden's Ridge - net	4,933	-	4,933
Capital assets			
Other capital assets - net of accumulated depreciation	3,591,201	184,145	3,775,346
Total non-current assets	<u>3,596,134</u>	<u>184,145</u>	<u>3,780,279</u>
<b>TOTAL ASSETS</b>	<u>\$ 7,048,404</u>	<u>\$ 1,024,308</u>	<u>\$ 8,072,712</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	\$ 62,043	\$ 33,790	\$ 95,833
Deferred outflows related to OPEB	86	49	135
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 62,129</u>	<u>\$ 33,839</u>	<u>\$ 95,968</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 142,156	\$ 64,969	\$ 207,125
Accrued liabilities	5,587	4,187	9,774
Due to other funds	52,916	-	52,916
Total current liabilities	<u>200,659</u>	<u>69,156</u>	<u>269,815</u>
Non-current liabilities			
Customer deposits	206,139	-	206,139
Compensated absences payable	13,385	5,751	19,136
Net pension liability	96,872	55,361	152,233
Net OPEB liability	13,535	7,734	21,269
Total non-current liabilities	<u>329,931</u>	<u>68,846</u>	<u>398,777</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 530,590</u>	<u>\$ 138,002</u>	<u>\$ 668,592</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	\$ 11,052	\$ 6,316	\$ 17,368
Deferred inflows related to OPEB	712	407	1,119
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 11,764</u>	<u>\$ 6,723</u>	<u>\$ 18,487</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 3,591,201	\$ 184,145	\$ 3,775,346
Unrestricted	2,976,978	729,277	3,706,255
<b>TOTAL NET POSITION</b>	<u>\$ 6,568,179</u>	<u>\$ 913,422</u>	<u>\$ 7,481,601</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, 2018**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Water service charges	\$ 1,391,805	\$ -	\$ 1,391,805
Stormwater user fees	-	296,791	296,791
Penalties	19,570	-	19,570
Other revenue	7,192	-	7,192
Total operating revenues	<u>1,418,567</u>	<u>296,791</u>	<u>1,715,358</u>
<b>OPERATING EXPENSES</b>			
Water purchases	442,266	-	442,266
Power and pumping	191,518	-	191,518
Treatment and transmission	121,516	-	121,516
Maintenance	344,437	-	344,437
Stormwater operations	-	242,012	242,012
Administration	136,702	-	136,702
Depreciation	<u>146,120</u>	<u>29,585</u>	<u>175,705</u>
Total operating expenses	<u>1,382,559</u>	<u>271,597</u>	<u>1,654,156</u>
Operating income	<u>36,008</u>	<u>25,194</u>	<u>61,202</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest earnings	28,768	684	29,452
Amortization expense	<u>(2,961)</u>	<u>-</u>	<u>(2,961)</u>
Total non-operating revenues (expenses)	<u>25,807</u>	<u>684</u>	<u>26,491</u>
Changes in net position	61,815	25,878	87,693
<b>Net position - beginning (as restated)</b>	<u>6,506,364</u>	<u>887,544</u>	<u>7,393,908</u>
<b>Net position - end</b>	<u>\$ 6,568,179</u>	<u>\$ 913,422</u>	<u>\$ 7,481,601</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, 2018**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Stormwater Fund</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 1,401,481	\$ 296,791	\$ 1,698,272
Payments to suppliers	(1,166,422)	(40,309)	(1,206,731)
Payments to employees	(264,452)	(136,913)	(401,365)
Net cash provided (used) by operating activities	(29,393)	119,569	90,176
<b>Cash Flows from Non-capital and Related Financing Activities</b>			
Due to/from other funds	32,414	(83,722)	(51,308)
<b>Cash Flows from Capital and Related Financing Activities</b>			
Amortization of customer lists	(2,961)	-	(2,961)
Acquisitions and construction of capital assets	(791,217)	(139,860)	(931,077)
Net cash provided (used) by capital and related financing activities	(794,178)	(139,860)	(934,038)
<b>Cash Flows from Investing Activities</b>			
(Purchase) sale of investments	(26,114)	(546)	(26,660)
Interest revenue received	28,768	684	29,452
Net cash provided (used) by investing activities	2,654	138	2,792
Net increase (decrease) in cash	(788,503)	(103,875)	(892,378)
<b>Cash - beginning</b>	<u>1,670,088</u>	<u>830,047</u>	<u>2,500,135</u>
<b>Cash - end</b>	<u>\$ 881,585</u>	<u>\$ 726,172</u>	<u>\$ 1,607,757</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income	\$ 36,008	\$ 25,194	\$ 61,202
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	146,120	29,585	175,705
Increase (decrease) in net pension liability	(16,886)	(9,649)	(26,535)
Increase (decrease) in deferred inflows related to pensions	10,259	5,862	16,121
(Increase) decrease in deferred outflows related to pensions	2,864	3,303	6,167
Increase (decrease) in net OPEB liability	708	404	1,112
Increase (decrease) in deferred inflows related to OPEB	712	407	1,119
(Increase) decrease in deferred outflows related to OPEB	(86)	(49)	(135)
(Increase) decrease in receivable - net	(17,086)	-	(17,086)
(Increase) decrease in inventories	5,552	-	5,552
(Increase) decrease in customer lists	2,961	-	2,961
Increase (decrease) in accounts payable	(199,232)	62,714	(136,518)
Increase (decrease) in accrued liabilities	92	1,526	1,618
Increase (decrease) in compensated absences payable	(9,913)	272	(9,641)
Increase (decrease) in customer deposits	8,534	-	8,534
Total adjustments	(65,401)	94,375	28,974
Net cash provided (used) by operating activities	<u>\$ (29,393)</u>	<u>\$ 119,569</u>	<u>\$ 90,176</u>

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2018**

**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 expenditures increased by \$196,706. Budgeted transfers out increased by \$19,356.

Vehicle Replacement Fund: Budgeted expenditures decreased by \$67,000.

State Street Aid Fund: Budgeted expenditures decreased by \$812,803.

Building Construction Fund: Budgeted expenditures decreased by \$703,948. Budgeted bond issue costs increased by \$18,000.

Water Fund: Budgeted expenses increased by \$317,138.

Stormwater Fund: Budgeted expenses increased \$67,000.

### **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, 2018, 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". 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 Assets**

Certain resources can be classified as restricted on the Statement of Net Position because their use is limited. At year-end, there were no restricted assets to be reported.

### **H. Property Taxes**

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

### **I. Interfund Transactions**

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

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

#### **Transactions between Funds**

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

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

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



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

### 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 two types of items that qualify for reporting in this category: deferred outflows related to pensions and deferred outflows related to OPEB.

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 three types of items that qualify for reporting in this category: deferred revenue - property taxes, deferred inflows related to pensions and deferred inflows related to OPEB.

## **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, 2018, and November 30, 2018, 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, 2018, the carrying amount of the Town's deposits was \$4,230,739, and the bank balance was \$4,043,557. None of the Town's bank balance was exposed to custodial credit risk as uninsured or uncollateralized due to the fact that all of its deposits and investments are in a financial institution that is a participant in the State of Tennessee collateral pool.

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

Cash	\$ 3,969,075
Investments	6,780,640
Less: Investments in LGIP	( 6,517,651)
Petty cash	<u>( 1,325)</u>
Total	<u>\$ 4,230,739</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, 2018.

### NOTE 3 - PROPERTY TAXES - NET

Tax rate for the 2018 levy is \$1.5665 per \$100 of assessed valuation and the tax rate for the 2017 levy is \$1.5665 per \$100 of assessed valuation.

Property taxes for the 2018 levy are considered to be owed to the Town as of the lien date on January 1, 2018. Therefore, the entire 2018 levy was recorded as a receivable and deferred revenue as of June 30, 2018.

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

Lien date	January 1, 2018
Levy date	January 1, 2018
Tax bills mailed	October 1, 2017
Payment due date	October 1, 2017
	Through February 28, 2018
Delinquency date	March 1, 2018

Property taxes receivable as of June 30, 2018, are composed of the following:

<u>Year of Levy</u>	
2018	\$ 4,744,560
2017	71,157
2016	16,851
2015	9,273
2014	4,042
2013	28,233
2012	21,302
2011	16,165
2010	13,322
2009	<u>14,270</u>
	4,939,175
Less: allowance for uncollectibles	<u>( 140,666)</u>
Property taxes receivable - net	<u>\$ 4,798,509</u>

### NOTE 4 - GRANTS RECEIVABLE

At year end, grants receivable consists of the following:

U.S. Department of Transportation	\$ 6,148
U.S. Department of Homeland Security	<u>87,824</u>
Total	<u>\$ 93,972</u>

## NOTE 5 - RECEIVABLE - NET

Accounts and other receivables at June 30, 2018, consist of the following:

	Governmental Activities	Business-Type Activities	Total
Customer accounts	\$ -	\$ 369,913	\$ 369,913
Wholesale beer tax	7,688	-	7,688
Franchise tax	37,749	-	37,749
Loan receivable	<u>293,710</u>	<u>-</u>	<u>293,710</u>
Less allowance for uncollectible accounts	<u>-</u>	<u>( 1,074)</u>	<u>( 1,074)</u>
Total	<u>\$339,147</u>	<u>\$ 368,839</u>	<u>\$ 707,986</u>

Bad debt expense was \$3,554 for year ended June 30, 2018.

## NOTE 6 - DUE FROM OTHER GOVERNMENTS

Due from other governments as of June 30, 2018, consists of the following receivables from the State of Tennessee:

State income tax	\$ 500,031
State street aid revenues	49,258
City streets and transportation revenues	2,788
Mixed drink tax revenue	5,088
State sales tax revenue	126,164
Local sales tax revenue	61,118
Business tax revenue	3,938
Telecommunications tax revenue	<u>769</u>
Total	<u>\$ 749,154</u>

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

## NOTE 7 - INTERNAL BALANCES

Internal balances at June 30, 2018, consist of the following:

Due to:	Due from:	
	General Fund	Water Fund
General Fund	\$ -	\$ 52,916
State Street Aid	1,037	-
Vehicle Replacement Fund	24,575	-
Stormwater Fund	<u>71,527</u>	<u>-</u>
	<u>\$ 97,139</u>	<u>\$ 52,916</u>
		<u>\$ 150,055</u>

Amounts paid by the General Fund on behalf of the Water Fund are to be reimbursed in the next fiscal year. Amounts paid by the State Street Aid Fund, Vehicle Replacement Fund and Stormwater 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, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	<u>\$ 844,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 844,313</u>
Capital assets being depreciated:					
Building and other improvements	7,620,443	2,868,288	( 62,538)	-	10,426,193
Equipment	5,235,537	296,612	( 170,398)	( 18,834)	5,342,917
Public improvements (infrastructure)	<u>2,325,572</u>	<u>59,839</u>	<u>-</u>	<u>-</u>	<u>2,385,411</u>
Total capital assets being depreciated	<u>15,181,552</u>	<u>3,224,739</u>	<u>( 232,936)</u>	<u>(18,884)</u>	<u>18,154,521</u>
Less accumulated depreciation for:					
Buildings and other improvements	3,502,317	219,078	( 62,538)	-	3,658,857
Equipment	2,939,771	387,536	( 170,398)	( 18,834)	3,138,075
Public improvements (infrastructure)	<u>892,850</u>	<u>70,907</u>	<u>-</u>	<u>-</u>	<u>963,757</u>
Total accumulated depreciation	<u>7,334,938</u>	<u>677,521</u>	<u>( 232,936)</u>	<u>(18,834)</u>	<u>7,760,689</u>
Total capital assets being depreciated - net	<u>7,846,614</u>	<u>2,547,218</u>	<u>-</u>	<u>-</u>	<u>10,393,832</u>
Governmental activities capital assets - net	<u>\$ 8,690,927</u>	<u>\$ 2,547,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,238,145</u>

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

General government	\$ 30,440
Public safety	251,726
Public works	281,752
Public welfare and recreation	111,384
Maintenance shop	<u>2,219</u>
Total	<u>\$ 677,521</u>

**NOTE 8 - CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital assets being depreciated:					
Plant in service	\$ 6,898,914	\$ 791,217	\$ -	\$ -	\$ 7,690,131
Equipment	<u>961,480</u>	<u>139,860</u>	-	<u>18,834</u>	<u>1,120,174</u>
Total capital assets being depreciated	<u>7,860,394</u>	<u>931,077</u>	-	<u>18,834</u>	<u>8,810,305</u>
Less accumulated depreciation for:					
Plant in service	3,973,398	133,100	-	-	4,106,498
Equipment	<u>867,022</u>	<u>42,605</u>	-	<u>18,834</u>	<u>928,461</u>
Total capital depreciation	<u>4,840,420</u>	<u>175,705</u>	-	<u>18,834</u>	<u>5,034,959</u>
Total capital assets being depreciated - net	<u>3,019,974</u>	<u>755,372</u>	-	-	<u>3,775,346</u>
Business-type activities capital assets - net	<u>\$ 3,019,974</u>	<u>\$ 755,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,775,346</u>

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

Water	\$ 146,120
Stormwater	<u>29,585</u>
Total	<u>\$ 175,705</u>

**NOTE 9 - DEFERRED OUTFLOWS RELATED TO PENSIONS**

Deferred outflows related to pensions at June 30, 2018, consists of the following:

Beginning balance	\$ 927,267
Difference in actuarial experience	( 80,438)
Difference in investment earnings	( 121,270)
Prior year employer contributions	( 326,173)
Current year employer contributions	350,649
Change in assumptions	260,144
Netting cumulative investment earnings for presentation purposes	<u>( 108,296)</u>
Total	<u>\$ 901,883</u>

**NOTE 10 - DEFERRED OUTFLOWS RELATED TO OPEB**

Deferred outflows related to OPEB at June 30, 2018, consists of \$1,228 of prepaid benefit payments.

## NOTE 11 - LONG-TERM DEBT

### A. Governmental Debt

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

	Principal Balance
Capital outlay note, Series 2007, variable rate loan, due 2018	\$ -
Capital outlay note, Series 2015, still in draw down phase	1,716,291
Capital outlay note, Series 2017, still in draw down phase	2,584,573
Compensated absences payable	<u>213,466</u>
	4,514,330
Less: current portion of governmental long-term debt	<u>-</u>
Total governmental long-term debt	<u>\$ 4,514,330</u>

A summary of changes in governmental long-term debt for the year ended June 30, 2018, are as follows:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Amount Due Within One Year
Capital outlay note, 2007	\$ 93,948	\$ -	\$ ( 93,948)	\$ -	\$ -
Capital outlay note, 2015	1,547,925	305,366	( 137,000)	1,716,291	-
Capital outlay note, 2017	-	2,584,573	-	2,584,573	-
Compensated absences	<u>171,682</u>	<u>41,784</u>	<u>-</u>	<u>213,466</u>	<u>-</u>
Total	<u>\$1,813,555</u>	<u>\$2,931,723</u>	<u>\$ ( 230,948)</u>	4,514,330	<u>\$ -</u>
Less: current portion of governmental long-term debt				<u>-</u>	
Total governmental long-term debt				<u>\$ 4,514,330</u>	

Interest paid during the year ended June 30, 2018, on governmental long-term debt was \$48,221.

Note: A debt service requirements schedule is not necessary for compensated absences or for notes still being drawn down at year-end.



**NOTE 11 - 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>\$ 13,385</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>Amount</u>
	<u>July 1, 2017</u>			<u>June 30, 2018</u>	<u>Due Within</u>
Compensated absences	<u>\$ 23,298</u>	<u>\$ -</u>	<u>\$ ( 9,913)</u>	<u>\$ 13,385</u>	<u>One Year</u>
					<u>\$ -</u>
Less: current portion of water long-term debt				<u>-</u>	
Total water long-term debt				<u>\$ 13,385</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>\$5,751</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>Amount</u>
	<u>July 1, 2017</u>			<u>June 30, 2018</u>	<u>Due Within</u>
Compensated absences	<u>\$ 5,479</u>	<u>\$ 272</u>	<u>\$ -</u>	<u>\$ 5,751</u>	<u>One Year</u>
					<u>\$ -</u>
Less: current portion of stormwater long-term debt				<u>-</u>	
Total stormwater long-term debt				<u>\$ 5,751</u>	

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

**NOTE 12 - NET PENSION LIABILITY**

Net pension liability at June 30, 2018, consists of the following:

Beginning balance	\$ 1,625,164
Prior year employer contributions	( 326,173)
Pension expense	281,354
Difference in actuarial experience	( 223,209)
Difference in investment earnings	( 233,347)
Changes in assumptions	<u>260,144</u>
Total	<u>\$ 1,383,933</u>

### NOTE 13 - NET OPEB LIABILITY

Net OPEB liability at June 30, 2018 consists of the following:

Beginning balance (see prior period adjustment footnote)	\$ 183,248
OPEB plan expense	20,287
Change in deferrals	<u>( 10,177)</u>
Total	<u>\$ 193,358</u>

### NOTE 14 - DEFERRED INFLOWS RELATED TO PENSIONS

Deferred inflows related to pension at June 30, 2018, consists of the following:

Beginning balance	\$ 11,330
Difference in actuarial experience	142,771
Difference in investment earnings	112,077
Netting cumulative investment earnings for presentation purposes	<u>( 108,296)</u>
Total	<u>\$ 157,882</u>

### NOTE 15 - DEFERRED INFLOWS RELATED TO OPEB

Deferred inflows related to OPEB at June 30, 2018, consists of \$10,177 changes in deferrals.

### NOTE 16 - 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>\$44,761</u>	<u>\$ 4,744,560</u>	<u>\$4,789,321</u>

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

### NOTE 17 - 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.

\$20,585 is legally restricted for use in investigations of drug-related violations and drug prevention programs.

\$673,810 is legally restricted for use in the State Street Aid Fund for street expenditures.

## NOTE 18 - FUND BALANCES

Fund balances are as follows:

Nonspendable: \$5,542 is nonspendable inventory.

Restricted: \$28,000 is legally restricted for use by the Mountain Arts Community Center. \$20,585 is legally restricted for use in investigations of drug-related violations and drug prevention programs. \$673,810 is legally restricted for use in the State Street Aid Fund for street expenditures.

Committed: \$721,930 is committed for the purchase of mobile assets. \$439,626 is committed for building construction.

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 19 - TRANSFERS

Transfers for the current year were as follows:

	Transfers to:		<u>Total</u>
	<u>Vehicle Replacement Fund</u>	<u>State Street Aid Fund</u>	
<u>Transfer from:</u> General Fund	<u>\$ 294,894</u>	<u>\$ 300,000</u>	<u>\$ 594,894</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 20 - 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 \$(4,514,330) difference are as follows:

Notes payable	\$ (4,300,864)
Compensated absences	<u>( 213,466)</u>
Net adjustment	<u>\$ (4,514,330)</u>

**NOTE 20 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

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 \$(566,164) difference are as follows:

Deferred outflows related to pensions	\$ 806,050
Net pension liability	(1,231,700)
Deferred inflows related to pensions	<u>( 140,514)</u>
Net adjustment	<u>\$ ( 566,164)</u>

Another element of that reconciliation states that, "OPEB 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 \$(180,054) difference are as follows:

Deferred outflows related to OPEB	\$ 1,093
Net OPEB liability	( 172,089)
Deferred inflows related to OPEB	<u>( 9,058)</u>
Net adjustment	<u>\$ ( 180,054)</u>

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 \$2,547,218 difference are as follows:

Capital outlay	\$ 3,224,739
Depreciation expense	<u>( 677,521)</u>
Net adjustment	<u>\$ 2,547,218</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 \$230,948 difference are as follows:

Capital outlay note, 2007	\$ 93,948
Capital outlay note, 2015	<u>137,000</u>
Net adjustment	<u>\$ 230,948</u>

## **NOTE 20 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

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 \$65,047 difference are as follows:

Pension expense	\$ ( 250,405)
Contributions	<u>315,452</u>
Net adjustment	<u>\$ 65,047</u>

Another element of that reconciliation states that, "OPEB expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year OPEB contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities." The details of this \$(16,962) difference are as follows:

OPEB expense	\$ ( 18,055)
Contributions	<u>1,093</u>
Net adjustment	<u>\$ ( 16,962)</u>

## **NOTE 21 - 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 22 - COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS**

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

## **NOTE 23 - 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 24 - 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.state.tn.us/tcrs](http://www.treasury.state.tn.us/tcrs).

## NOTE 24 - PENSION PLAN (Continued)

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

#### **Benefits provided**

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

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

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

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	37
Inactive employees entitled to but not yet receiving benefits	71
Active employees	<u>73</u>
Total employees	<u>181</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, 2018, the employer contributions for Signal Mountain were \$350,649 based on a rate of 10.40 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.

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

Signal Mountain's net pension liability (asset) was measured as of June 30, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	not applicable

## NOTE 24 - PENSION PLAN (Continued)

### Net Pension Liability (Asset) (Continued)

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

#### **Changes of assumptions**

In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce 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 expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation 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	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
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 7.25 percent based on a blending of the factors described above.

#### **Discount rate**

The discount rate used to measure the total pension liability was 7.25 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.

**NOTE 24 - PENSION PLAN (Continued)****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 6/30/16	<u>\$ 8,496,132</u>	<u>\$ 6,870,968</u>	<u>\$ 1,625,164</u>
Changes for the year:			
Service cost	241,722	-	241,722
Interest	639,503	-	639,503
Differences between expected and actual experience	( 175,858)	-	( 175,858)
Changes in assumptions	312,173	-	312,173
Contributions - employer	-	326,173	( 326,173)
Contributions - employees	-	157,112	( 157,112)
Net investment income	-	781,739	( 781,739)
Benefit payments, including refunds of employee contributions	( 422,282)	( 422,282)	-
Administrative expense	-	( 6,253)	6,253
Other changes	-	-	-
Net changes	<u>595,258</u>	<u>836,489</u>	<u>( 241,231)</u>
Balances at 6/30/17	<u>\$ 9,091,390</u>	<u>\$ 7,707,457</u>	<u>\$ 1,383,933</u>

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

The following presents the net pension liability (asset) of Signal Mountain calculated using the discount rate of 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Signal Mountain's net pension liability (asset)	\$ 2,461,117	\$ 1,383,933	\$ 480,304

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

For the year ended June 30, 2018, Signal Mountain recognized pension expense (negative pension expense) of \$281,354.



**NOTE 24 - 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, 2018, 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	\$ 291,090	\$ 154,101
Net difference between projected and actual earnings on pension plan investments	-	3,781
Changes in assumptions	260,144	-
Contributions subsequent to the measurement date of June 30, 2017	<u>350,649</u>	(not applicable)
Total	<u>\$ 901,883</u>	<u>\$ 157,882</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2017,” 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:**

2019	\$ 68,364
2020	\$ 167,777
2021	\$ 114,868
2022	\$ 19,623
2023	\$ 22,719
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, 2018, Signal Mountain reported a payable of \$42,763 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

## **NOTE 25 - 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:

Property	\$19,473,080 blanket limit
Liability	\$1,000,000 each other loss per occurrence
Workers compensation	\$300,000 each accident \$300,000 each employee \$700,000 policy limit

### **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.

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.

## **NOTE 25 - RISK MANAGEMENT POOL (Continued)**

### **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, 2018. No provision has been made in the financial statements for the year ended June 30, 2018, for any estimate of potential unpaid claims.

## **NOTE 26 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

### **Closed Local Government OPEB Plan:**

#### **General Information About the OPEB Plan**

##### **Plan description**

Employees of the Town of Signal Mountain, Tennessee, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

##### **Benefits provided**

The Town of Signal Mountain, Tennessee offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the LGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The Town of Signal Mountain, Tennessee does not directly subsidize and is only subject to the implicit. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

## NOTE 26 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

### General Information About The OPEB Plan (Continued)

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

At July 1, 2017, the following employees of the Town of Signal Mountain, Tennessee were covered by the benefit terms of the LGOP:

Inactive employees currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving payments	-
Active employees	<u>70</u>
Total	<u>70</u>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2018, the Town of Signal Mountain, Tennessee paid \$1,228 to the LGOP for OPEB benefits as they came due.

### Total OPEB Liability

#### **Actuarial assumptions**

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent.
Healthcare cost trend rates	7.5% for 2018, decreasing annually over a 33 year period to an ultimate rate of 3.71%.
Retiree's share of benefit-related costs in order to maintain their coverage	For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

**NOTE 26 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)****Total OPEB Liability** (Continued)**Discount rate**

The discount rate used to measure the total OPEB liability was 3.56 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as show on the Fidelity 20-Year Municipal GO AA index.

**Changes in the Total OPEB Liability**

LGOP

	Total OPEB Liability (a)
Balances at June 30, 2016	<u>\$ 183,248</u>
Changes for the year:	
Service cost	15,565
Interest	5,805
Changes of benefit terms	-
Differences between expected and actual experience	-
Change in assumptions	( 11,260)
Benefit payments	<u>-</u>
Net changes	<u>10,110</u>
Balances at June 30, 2017	<u><u>\$ 193,358</u></u>

**Changes in assumptions**

The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

**Sensitivity of total OPEB liability to changes in the discount rate**

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate.

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	<u>\$ 211,204</u>	<u>\$ 193,358</u>	<u>\$ 176,425</u>

**Sensitivity of total OPEB liability to changes in the healthcare cost trend rate**

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.50% decreasing to 2.71%) or 1-percentage-point higher (8.50% decreasing to 4.71%) than the current healthcare cost trend rate.

	1% Decrease (6.50% decreasing to 2.71%)	Healthcare Cost Trend Rates (7.50% decreasing to 3.71%)	1% Increase (8.50% decreasing to 4.71%)
Total OPEB liability	<u>\$ 166,740</u>	<u>\$ 193,358</u>	<u>\$ 225,463</u>

**NOTE 26 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)****OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB****OPEB expense**

For the fiscal year ended June 30, 2018, the Town of Signal Mountain, Tennessee recognized OPEB expense of \$20,287.

**Deferred outflows of resources and deferred inflows of resources**

For the fiscal year ended June 30, 2018, the Town of Signal Mountain, Tennessee reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

**LGOP**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ -
Changes of assumptions	-	10,177
Employer payments subsequent to the measurement date	<u>1,228</u>	<u>-</u>
Total	<u>\$ 1,228</u>	<u>\$ 10,177</u>

The amounts shown above for "Employer payments subsequent to the measurement date" will be recognized as a reduction to total OPEB liability in the following measurement period.

**Deferred outflows of resources and deferred inflows of resources (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

**LGOP**

For the year ended June 30:

2019	\$ ( 1,083)
2020	( 1,083)
2021	( 1,083)
2022	( 1,083)
2023	( 1,083)
Thereafter	<u>( 4,762)</u>
Total	<u>\$ ( 10,177)</u>

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

## NOTE 27 - PRIOR PERIOD ADJUSTMENT

Due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," a prior period adjustment was required on the Statement of Activities as follows:

Prior year ending net position for governmental activities	\$ 13,461,803
Adjustment for beginning OPEB liability	<u>( 163,091)</u>
Beginning net position for governmental activities as restated	<u>\$ 13,298,712</u>

The component unit's beginning net position was also restated to include an investment account as follows:

Prior year ending net position for component unit	\$ 26,600
Adjustment for beginning investment asset	<u>16,422</u>
Beginning net position for component unit as restated	<u>\$ 43,022</u>

**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, 2018**

**Last Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Total pension liability</u>				
Service cost	\$ 186,105	\$ 185,659	\$ 209,761	\$ 241,722
Interest	517,825	543,568	585,726	639,503
Changes in benefit terms	-	-	-	-
Differences between actual and expected experience	(22,661)	183,963	298,664	(175,858)
Change of assumptions	-	-	-	312,173
Benefit payments, including refunds of employee contributions	(320,690)	(354,485)	(395,879)	(422,282)
Net change in total pension liability (asset)	360,579	558,705	698,272	595,258
Total pension liability (asset) - beginning	6,878,576	7,239,155	7,797,860	8,496,132
Total pension liability (asset) - ending (a)	<u>\$ 7,239,155</u>	<u>\$ 7,797,860</u>	<u>\$ 8,496,132</u>	<u>\$ 9,091,390</u>
 <u>Plan fiduciary net position</u>				
Contributions - employer	\$ 251,361	\$ 267,550	\$ 315,781	\$ 326,173
Contributions - employee	122,475	128,542	150,718	157,112
Net investment income	906,655	197,493	176,702	781,739
Benefit payments, including refunds of employee contributions	(320,690)	(354,485)	(395,879)	(422,282)
Administrative expense	(2,524)	(3,330)	(5,286)	(6,253)
Other	-	-	-	-
Net change in plan fiduciary net position	957,277	235,770	242,036	836,489
Plan fiduciary net position - beginning	5,435,885	6,393,162	6,628,932	6,870,968
Plan fiduciary net position - ending (b)	<u>\$ 6,393,162</u>	<u>\$ 6,628,932</u>	<u>\$ 6,870,968</u>	<u>\$ 7,707,457</u>
 Net Pension Liability (asset) - ending (a) - (b)	<u>\$ 845,993</u>	<u>\$ 1,168,928</u>	<u>\$ 1,625,164</u>	<u>\$ 1,383,933</u>
 Plan fiduciary net position as a percentage of total pension liability	88.31%	85.01%	80.87%	84.78%
 Covered payroll	\$ 2,449,490	\$ 2,569,954	\$ 3,025,668	\$ 3,142,242
 Net pension liability (asset) as a percentage of covered payroll	34.54%	45.48%	53.71%	44.04%

Changes of assumptions. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Schedule of Contributions Based on**  
**Participation in the Public Employee Pension Plan of the TCRS**  
**June 30, 2018**

**Last Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 251,361	\$ 267,550	\$ 315,781	\$ 326,173	\$ 350,649
Contributions in relation to the actuarially determined contribution	<u>251,361</u>	<u>267,550</u>	<u>315,781</u>	<u>326,173</u>	<u>350,649</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,449,490	\$ 2,569,954	\$ 3,025,668	\$ 3,142,242	\$ 3,365,536
Contributions as a percentage covered payroll	10.26%	10.41%	10.44%	10.38%	10.40%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Schedule of Contributions Based on**  
**Participation in the Public Employee Pension Plan of the TCRS (Continued)**  
**June 30, 2018**

**Notes to Schedule**

Valuation date: Actuarially determined contribution rates for fiscal year 2018 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Schedule of Changes in the Town of Signal Mountain, Tennessee's**  
**Total OPEB Liability and Related Ratios**  
**June 30, 2018**

**Local Government OPEB Plan**

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 15,565
Interest	5,805
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(11,260)
Benefit payments	<u>-</u>
Net change in total OPEB liability	10,110
Total OPEB liability - beginning	<u>183,248</u>
Total OPEB liability - ending (a)	<u>\$ 193,358</u>
Covered-employee payroll	N/A
Total OPEB liability as a percentage of covered-employee payroll	N/A

**Notes to Schedule**

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

That amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

## **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, 2018**

	<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>		
<b>ASSETS</b>				
Cash	\$ 20,585	\$ 362,715	\$ 695,853	\$ 1,079,153
Investments	-	261,280	2,603	263,883
Due from other funds	-	1,037	24,575	25,612
Due from other governments	-	49,258	-	49,258
<b>TOTAL ASSETS</b>	<u>\$ 20,585</u>	<u>\$ 674,290</u>	<u>\$ 723,031</u>	<u>\$ 1,417,906</u>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ -</u>	<u>\$ 480</u>	<u>\$ 1,101</u>	<u>\$ 1,581</u>
<b>FUND BALANCES</b>				
Restricted	\$ 20,585	\$ 673,810	\$ -	\$ 694,395
Committed	-	-	721,930	721,930
<b>TOTAL FUND BALANCES</b>	<u>\$ 20,585</u>	<u>\$ 673,810</u>	<u>\$ 721,930</u>	<u>\$ 1,416,325</u>

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Non-Major Governmental Fund**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2018**

	<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>		
<b>REVENUES</b>				
Fines and forfeitures	\$ 914	\$ -	\$ -	\$ 914
Intergovernmental	-	285,041	-	285,041
Other revenues	<u>1,902</u>	<u>283</u>	<u>2,167</u>	<u>4,352</u>
<b>TOTAL REVENUES</b>	<u>2,816</u>	<u>285,324</u>	<u>2,167</u>	<u>290,307</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Public safety	2,551	-	-	2,551
Public works	<u>-</u>	<u>418,549</u>	<u>1,102</u>	<u>419,651</u>
Total current expenditures	<u>2,551</u>	<u>418,549</u>	<u>1,102</u>	<u>422,202</u>
<b>Capital Outlay</b>				
Public safety	<u>-</u>	<u>59,839</u>	<u>244,643</u>	<u>304,482</u>
<b>TOTAL EXPENDITURES</b>	<u>2,551</u>	<u>478,388</u>	<u>245,745</u>	<u>726,684</u>
Excess (deficiency) of revenues over (under) expenditures	265	(193,064)	(243,578)	(436,377)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>300,000</u>	<u>294,894</u>	<u>594,894</u>
Net changes in fund balances	265	106,936	51,316	158,517
<b>Fund balances - beginning</b>	<u>20,320</u>	<u>566,874</u>	<u>670,614</u>	<u>1,257,808</u>
<b>Fund balances - end</b>	<u>\$ 20,585</u>	<u>\$ 673,810</u>	<u>\$ 721,930</u>	<u>\$ 1,416,325</u>



**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Drug Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>			
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
<b>REVENUES</b>				
Fines and forfeitures				
City court revenues	\$ 1,750	\$ 1,750	\$ 914	\$ (836)
Other revenues				
Miscellaneous	-	-	1,902	1,902
<b>TOTAL REVENUES</b>	<u>1,750</u>	<u>1,750</u>	<u>2,816</u>	<u>1,066</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Public safety				
Operating supplies	-	-	2,551	(2,551)
<b>Capital Outlay</b>				
Public safety				
Equipment	4,500	4,500	-	4,500
<b>TOTAL EXPENDITURES</b>	<u>4,500</u>	<u>4,500</u>	<u>2,551</u>	<u>1,949</u>
Excess (deficiency) of revenues over (under) expenditure	(2,750)	(2,750)	265	3,015
<b>Fund balances - beginning</b>	<u>20,320</u>	<u>20,320</u>	<u>20,320</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 17,570</u>	<u>\$ 17,570</u>	<u>\$ 20,585</u>	<u>\$ 3,015</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, 2018**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
Intergovernmental				
Grants	\$ 318,163	\$ 318,163	\$ 4,594	\$ (313,569)
Streets and transportation	220,000	220,000	280,447	60,447
Total intergovernmental	<u>538,163</u>	<u>538,163</u>	<u>285,041</u>	<u>(253,122)</u>
Other revenues				
Interest earnings	-	-	283	283
<b>TOTAL REVENUES</b>	<u>538,163</u>	<u>538,163</u>	<u>285,324</u>	<u>(252,839)</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Public works				
Highways and street maintenance				
Street lighting (electricity)	21,000	21,000	20,733	267
Engineering	25,000	22,000	-	22,000
Tree removal	14,500	14,500	9,410	5,090
Repairs and maintenance	375,000	378,000	374,059	3,941
Paint and stripping	<u>15,000</u>	<u>15,000</u>	<u>14,347</u>	<u>653</u>
Total public works	<u>450,500</u>	<u>450,500</u>	<u>418,549</u>	<u>31,951</u>
<b>Capital Outlay</b>				
Public works				
Highways and street maintenance				
Street infrastructure	1,154,304	371,811	55,794	316,017
Improvements	<u>62,561</u>	<u>32,251</u>	<u>4,045</u>	<u>28,206</u>
Total public works	<u>1,216,865</u>	<u>404,062</u>	<u>59,839</u>	<u>344,223</u>
<b>TOTAL EXPENDITURES</b>	<u>1,667,365</u>	<u>854,562</u>	<u>478,388</u>	<u>376,174</u>
Excess (deficiency) of revenues over (under) expenditures	(1,129,202)	(316,399)	(193,064)	123,335
<b>OTHER FINANCING SOURCE (USES)</b>				
Transfers in	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Net changes in fund balances	(829,202)	(16,399)	106,936	(123,335)
<b>Fund balances - beginning</b>	<u>566,874</u>	<u>566,874</u>	<u>566,874</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ (262,328)</u>	<u>\$ 550,475</u>	<u>\$ 673,810</u>	<u>\$ 123,335</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Other revenues				
Interest earnings	\$ -	\$ -	\$ 7	\$ 7
Sale of assets	-	-	2,160	2,160
<b>TOTAL REVENUES</b>	-	-	2,167	2,167
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Public works				
Miscellaneous	4,000	4,000	1,102	2,898
<b>Capital Outlay</b>				
Public safety				
Vehicles	29,000	29,000	30,793	(1,793)
Public works				
Vehicles	416,000	349,000	213,850	135,150
Public welfare and recreation				
Vehicles	27,000	27,000	-	27,000
Total capital outlay	472,000	405,000	244,643	160,357
<b>TOTAL EXPENDITURES</b>	476,000	409,000	245,745	163,255
Excess (deficiency) of revenues over (under) expenditures	(476,000)	(409,000)	(243,578)	165,422
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	314,893	314,893	294,894	(19,999)
Net changes in fund balances	(161,107)	(94,107)	51,316	145,423
<b>Fund balances - beginning</b>	670,614	670,614	670,614	-
<b>Fund balances - end</b>	\$ 509,507	\$ 576,507	\$ 721,930	\$ 145,423

## **FINANCIAL SCHEDULES**

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

Grantor/Pass-through Agency	CFDA Number	State Grant/Project Number	(Accrued) Deferred Grant Revenues July 1, 2017	Grant Revenues Received	Expenditures	(Accrued) Deferred Grant Revenues June 30, 2018
<b>Federal</b>						
U.S. Department of Transportation						
Transportation Enhancement Section	20.205	STP-M-9215(3)	\$ -	\$ 4,594	\$ 4,594	\$ -
Aggressive Driver Enforcement	20.600	Z17THS068	(1,655)	9,231	7,576	-
Aggressive Driver Enforcement	20.600	Z18THS283	-	4,178	10,326	(6,148)
Total U.S. Department of Transportation			(1,655)	18,003	22,496	(6,148)
U.S. Department of Homeland Security						
Federal Emergency Management Agency	97.000	FMAG-5165	-	17,840	17,840	-
Passed - through Hamilton County	97.067	-	-	26,150	26,150	-
Safer Grant	97.083	2017-F6-C211-P4310000	-	65,305	153,129	(87,824)
Total U.S. Department of Homeland Security			-	109,295	197,119	(87,824)
U.S. Department of Justice						
Local Law Enforcement Equipment Program	16.738	-	(15,000)	15,000	-	-
Total Federal Awards			\$ (16,655)	\$ 142,298	\$ 219,615	\$ (93,972)

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

**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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 5,172,515	\$ 5,172,515	\$ 5,248,120	\$ 75,605
Licenses and permits	57,345	57,345	76,170	18,825
Intergovernmental	1,547,549	1,547,549	1,601,828	54,279
Charges for services	276,672	276,672	243,327	(33,345)
Fines and forfeitures	35,000	35,000	34,114	(886)
Other revenue	189,650	189,650	311,964	122,314
<b>TOTAL REVENUES</b>	<u>7,278,731</u>	<u>7,278,731</u>	<u>7,515,523</u>	<u>236,792</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
General government				
Judicial	57,235	57,235	50,007	7,228
Administration	408,781	409,081	338,505	70,576
Finance	226,717	224,717	213,169	11,548
Building and codes	155,110	155,110	137,207	17,903
Public safety				
Police	1,449,916	1,449,916	1,474,509	(24,593)
Fire protection and control services	1,651,713	2,036,379	1,910,018	126,361
Highways and streets				
Public works administration	159,935	144,229	103,351	40,878
Highway and street maintenance	464,697	459,320	361,098	98,222
Sanitation				
Solid waste department	526,206	554,651	564,941	(10,290)
Recycling centers	50,410	61,120	65,130	(4,010)
Public welfare and recreation				
Recreation	645,510	653,020	633,564	19,456
Mountain Arts Community Center	177,093	177,093	149,536	27,557
Library	197,028	200,460	192,658	7,802
Maintenance shop	71,495	97,822	99,494	(1,672)

(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, 2018**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>EXPENDITURES</b>				
<b>Capital Outlay</b>				
General government				
Judicial	\$ 2,000	\$ 2,000	\$ -	\$ 2,000
Administration	2,500	3,700	-	3,700
Finance	4,500	4,500	-	4,500
Public safety				
Police	82,843	82,843	545	82,298
Fire protection and control services	2,000	2,000	14,791	(12,791)
Highways and streets				
Highway and street maintenance	35,000	15,000	16,833	(1,833)
Public welfare and recreation				
Recreation	572,000	374,000	102,415	271,585
Maintenance shop	35,000	10,000	19,750	(9,750)
<b>Debt Service</b>	<u>480,366</u>	<u>480,565</u>	<u>279,169</u>	<u>201,396</u>
<b>TOTAL EXPENDITURES</b>	<u>7,458,055</u>	<u>7,654,761</u>	<u>6,726,690</u>	<u>928,071</u>
Excess (deficiency) of revenues over (under) expenditures	(179,324)	(376,030)	788,833	1,164,863
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(613,878)</u>	<u>(633,234)</u>	<u>(594,894)</u>	<u>38,340</u>
Net changes in fund balances	(793,202)	(1,009,264)	193,939	1,203,203
<b>Fund balances - beginning</b>	<u>5,575,768</u>	<u>5,575,768</u>	<u>5,575,768</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 4,782,566</u>	<u>\$ 4,566,504</u>	<u>\$ 5,769,707</u>	<u>\$ 1,203,203</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, 2018**

	<b>Budgeted Amounts</b>			
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
<b>EXPENDITURES</b>				
<b>Capital Outlay</b>				
Public safety				
Fire station	\$ 3,000,000	\$ 2,614,439	\$ 2,568,073	\$ 46,366
Public works				
Facility	-	199,000	193,417	5,583
Public welfare and recreation				
Facility	520,000	-	-	-
Library	-	2,613	2,613	-
Total capital outlay	<u>3,520,000</u>	<u>2,816,052</u>	<u>2,764,103</u>	<u>51,949</u>
<b>TOTAL EXPENDITURES</b>	<u>3,520,000</u>	<u>2,816,052</u>	<u>2,764,103</u>	<u>51,949</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,520,000)</u>	<u>(2,816,052)</u>	<u>(2,764,103)</u>	<u>51,949</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt issuance	2,672,850	2,672,850	2,889,939	217,089
Bond issue	-	(18,000)	(18,000)	-
Total other financing sources (uses)	<u>2,672,850</u>	<u>2,654,850</u>	<u>2,871,939</u>	<u>217,089</u>
Net changes in fund balances	(847,150)	(161,202)	107,836	269,038
<b>Fund balances - beginning</b>	<u>331,790</u>	<u>331,790</u>	<u>331,790</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ (515,360)</u>	<u>\$ 170,588</u>	<u>\$ 439,626</u>	<u>\$ 269,038</u>

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**

**Water Fund**

**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual  
Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>OPERATING REVENUES</b>				
Water service charges	\$ 1,344,000	\$ 1,344,000	\$ 1,391,805	\$ 47,805
Water service penalties	24,000	24,000	19,570	(4,430)
Other revenue	3,000	3,000	7,192	4,192
Total operating revenues	<u>1,371,000</u>	<u>1,371,000</u>	<u>1,418,567</u>	<u>47,567</u>
<b>OPERATING EXPENSES</b>				
<b>Water purchases</b>	<u>550,000</u>	<u>550,000</u>	<u>442,266</u>	<u>107,734</u>
<b>Power and pumping</b>				
Operating supplies and expense	1,500	1,500	439	1,061
Repairs and maintenance	22,000	22,000	4,528	17,472
Telephone and other communication	1,700	1,700	1,597	103
Utilities	242,000	242,000	184,954	57,046
Total power and pumping	<u>267,200</u>	<u>267,200</u>	<u>191,518</u>	<u>75,682</u>
<b>Treatment and transmission</b>				
Miscellaneous	2,500	2,500	1,150	1,350
Operating supplies and expense	393,000	903,000	2,428	900,572
Professional services	70,000	40,000	11,033	28,967
Repairs and maintenance	105,500	105,500	100,691	4,809
Travel and training	400	400	-	400
Vehicle expense	13,200	13,200	6,214	6,986
Total treatment and transmission	<u>584,600</u>	<u>1,064,600</u>	<u>121,516</u>	<u>943,084</u>
<b>Maintenance</b>				
Salaries	202,287	207,067	207,584	(517)
Payroll taxes	15,475	15,841	16,041	(200)
Fringe benefits	58,232	59,376	55,953	3,423
Pension expense	17,296	17,705	16,150	1,555
Insurance	8,468	8,907	7,735	1,172
Miscellaneous	4,100	4,100	10	4,090
Operating supplies and expense	112,000	18,000	13,008	4,992
Other post-employment benefits	-	-	1,420	(1,420)
Repairs and maintenance	12,385	11,385	1,617	9,768
Telephone and other communication	2,000	2,000	1,570	430
Travel and training	1,000	1,000	170	830
Utilities	102,280	52,280	20,379	31,901
Vehicle expense	3,000	3,000	2,800	200
Total maintenance	<u>538,523</u>	<u>400,661</u>	<u>344,437</u>	<u>56,224</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING EXPENSES (Continued)</b>				
<b>Administration</b>				
Salaries	\$ 55,516	\$ 55,516	\$ 56,868	\$ (1,352)
Payroll taxes	4,247	4,247	4,098	149
Fringe benefits	18,069	18,069	14,072	3,997
Pension expense	4,747	4,747	3,545	1,202
Contract services	26,076	1,076	487	589
In lieu of taxes	28,000	28,000	25,137	2,863
Insurance	13,857	13,857	15,575	(1,718)
Miscellaneous	3,700	3,700	1,371	2,329
Office supplies and expense	2,000	2,000	2,151	(151)
Operating supplies and expense	4,331	4,331	4,108	223
Postage and printing	7,700	7,700	7,348	352
Professional services	500	500	-	500
Telephone and other communication	2,500	2,500	1,667	833
Travel and training	1,500	1,500	275	1,225
Total administration	<u>172,743</u>	<u>147,743</u>	<u>136,702</u>	<u>11,041</u>
<b>Depreciation</b>	<u>190,000</u>	<u>190,000</u>	<u>146,120</u>	<u>43,880</u>
Total operating expenses	<u>2,303,066</u>	<u>2,620,204</u>	<u>1,382,559</u>	<u>1,237,645</u>
Operating income (loss)	<u>(932,066)</u>	<u>(1,249,204)</u>	<u>36,008</u>	<u>1,285,212</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest earnings	5,000	5,000	28,768	23,768
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>25,807</u>	<u>23,768</u>
Changes in net position	(930,027)	(1,247,165)	61,815	1,308,980
Net position - beginning	<u>6,506,364</u>	<u>6,506,364</u>	<u>6,506,364</u>	<u>-</u>
Net position - end	<u>\$ 5,576,337</u>	<u>\$ 5,259,199</u>	<u>\$ 6,568,179</u>	<u>\$ 1,308,980</u>

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Stormwater Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual**  
**Year Ended June 30, 2018**

	<b>Budgeted Amount</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>OPERATING REVENUES</b>				
Stormwater user fees	\$ 275,644	\$ 275,644	\$ 296,791	\$ 21,147
<b>OPERATING EXPENSES</b>				
<b>Stormwater operations</b>				
Salaries	137,645	137,645	136,913	732
Payroll taxes	10,530	10,530	9,430	1,100
Fringe benefits	38,271	38,271	35,139	3,132
Pension expense	11,769	11,769	11,254	515
Contract services	23,500	23,500	16,470	7,030
Insurance	6,103	6,157	5,956	201
Miscellaneous	1,000	1,150	267	883
Office supplies and expense	400	400	886	(486)
Operating supplies and expense	9,375	9,375	6,255	3,120
Other post-employment benefits	-	-	811	(811)
Permit fee	4,000	4,000	3,810	190
Postage and printing	4,200	4,200	847	3,353
Professional services	25,000	24,796	6,200	18,596
Repairs and maintenance	105,250	172,250	2,500	169,750
Telephone and other communication	700	700	649	51
Travel and training	3,000	3,000	1,601	1,399
Utilities	1,800	1,800	996	804
Vehicle expense	2,550	2,550	2,028	522
Total stormwater operations	385,093	452,093	242,012	210,081
<b>Depreciation</b>	37,000	37,000	29,585	7,415
Total operating expenses	422,093	489,093	271,597	217,496
Operating income (loss)	(146,449)	(213,449)	25,194	238,643
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest earnings	240	240	684	444
Changes in net position	(146,209)	(213,209)	25,878	239,087
Net position - beginning (as restated)	887,544	887,544	887,544	-
Net position - end	\$ 741,335	\$ 674,335	\$ 913,422	\$ 239,087

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**General Fund**  
**Schedule of Property Taxes Receivable**  
**June 30, 2018**

<u>Year of Levy</u>	
2018	\$ 4,744,560
2017	71,157
2016	16,851
2015	9,273
2014	4,042
2013	28,233
2012	21,302
2011	16,165
2010	13,322
2009	<u>14,270</u>
Total property taxes receivable	4,939,175
Less: allowance for uncollectible taxes	<u>(140,666)</u>
Property taxes receivable - net	<u>\$ 4,798,509</u>

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**General Fund**  
**Schedule of Changes in Property Taxes Receivable**  
**June 30, 2018**

<u>Year of Levy</u>	<u>Taxes Receivable July 1, 2017</u>	<u>Taxes Levied</u>	<u>Pickups</u>	<u>Discounts and Releases</u>	<u>Collections</u>	<u>Taxes Receivable July 1, 2018</u>
2018	\$ -	\$ 4,744,560	\$ -	\$ -	\$ -	\$ 4,744,560
2017	4,706,200	304,300	(1) 77	(3,907)	(4,935,513)	71,157
2016	75,345	-	-	-	(58,494)	16,851
2015	25,711	-	-	-	(16,438)	9,273
2014	10,726	-	-	-	(6,684)	4,042
2013	29,682	-	-	-	(1,449)	28,233
2012	21,302	-	-	-	-	21,302
2011	16,165	-	-	-	-	16,165
2010	13,322	-	-	-	-	13,322
2009	14,270	-	-	-	-	14,270
2008	1,127	-	-	(1,127)	-	-
	<u>\$ 4,913,850</u>	<u>\$ 5,048,860</u>	<u>\$ 77</u>	<u>\$ (5,034)</u>	<u>\$ (5,018,578)</u>	<u>\$ 4,939,175</u>

(1) 2017 Stormwater fees

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Insurance Coverage**  
**June 30, 2018**

<u>Coverage</u>	<u>Amount</u>
Property	\$19,473,080
Liability	\$1,000,000 each other loss per occurrence
Workers compensation	\$300,000 each accident \$300,000 each employee \$700,000 policy limit

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Tax Rates and Assessed Valuation**  
**Applicable to the Last Ten Years**  
**June 30, 2018**

<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>	
2018	\$ 1.5665	\$ 291,942,942	\$ 2,373,029	\$ 8,560,441	\$ 302,876,412
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

NOTE: On July 1, 2017, the Town of Signal Mountain approved the levy for the year ended June 30, 2018. The tax rate adopted for each \$100 of assessed valuation for the 2017 levy was \$1.5665.

On July 1, 2018, the Town of Signal Mountain approved the levy for the year ended June 30, 2019, for the residents on record as of January 1, 2017. The 2017 levy was recorded as a receivable and deferred revenue for the year ended June 30, 2018.



**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Schedule of Property Taxes Levied and Property Tax Collections - Last Ten Years**  
**Years Ended June 30, 2008 to 2017**

Year of Levy	Tax Rate Per \$100	Total Tax Levy	Collections of Current Levy		Percent of Current Collections to Levy	Collections of Prior Years Levy		Total Collections During Period	Percent of Total Collections to Current Year Levy	Discounts and Adjustments During Period	Accumulated Delinquent Property Taxes	Percent of Delinquent Property Taxes to Current Year Levy
			During Period			During Period						
2017	\$ 1.5665	\$ 5,010,500	\$ 4,935,513		98.5%	\$ 83,065		\$ 5,018,578	100.2%	\$ (4,957)	\$ 194,615	3.9%
2016	\$ 1.568	\$ 4,476,694	\$ 4,424,205		98.8%	\$ 73,235		\$ 4,497,440	100.5%	\$ 22,185	\$ 207,650	4.6%
2015	\$ 1.568	\$ 4,580,872	\$ 4,387,939		95.8%	\$ 70,557		\$ 4,458,496	97.3%	\$ (104,802)	\$ 206,211	4.5%
2014	\$ 1.568	\$ 4,476,907	\$ 4,399,224		98.3%	\$ 42,052		\$ 4,441,276	99.2%	\$ (15,357)	\$ 188,637	4.2%
2013	\$ 1.568	\$ 4,332,349	\$ 4,263,244		98.4%	\$ 49,669		\$ 4,312,913	99.6%	\$ 7,903	\$ 168,363	3.9%
2012	\$ 1.663	\$ 3,892,170	\$ 3,839,984		98.7%	\$ 41,599		\$ 3,881,583	99.7%	\$ 24,728	\$ 141,024	3.6%
2011	\$ 1.663	\$ 3,868,646	\$ 3,810,546		98.5%	\$ 68,814		\$ 3,879,360	100.3%	\$ 8,258	\$ 105,709	2.7%
2010	\$ 1.513	\$ 3,291,387	\$ 3,217,605		97.8%	\$ 57,318		\$ 3,274,923	99.5%	\$ 4,347	\$ 108,165	3.3%
2009	\$ 1.513	\$ 3,261,519	\$ 3,198,769		98.1%	\$ 49,776		\$ 3,248,545	99.6%	\$ 2,260	\$ 87,354	2.7%
2008	\$ 1.775	\$ 3,271,540	\$ 3,210,245		98.1%	\$ 36,841		\$ 3,247,086	99.3%	\$ (837)	\$ 72,120	2.2%

TOWN OF SIGNAL MOUNTAIN, TENNESSEE  
Schedule of Unaccounted for Water  
June 30, 2018

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

Water Audit Report for: **Town of Signal Mountain (0000634)**  
Reporting Year: **2018** **7/2017 - 6/2018**

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

<b>WATER SUPPLIED</b>	← Enter grading in column 'E' and 'J' →	Master Meter and Supply Error Adjustments
Volume from own sources:	<input type="text" value="9"/> <input type="text" value="297.548"/> MG/Yr	<input type="text" value=""/> <input type="text" value=""/> Pcnt: <input type="text" value=""/> Value: <input type="text" value=""/> MG/Yr
Water imported:	<input type="text" value=""/> <input type="text" value=""/> MG/Yr	<input type="text" value=""/> <input type="text" value=""/> MG/Yr
Water exported:	<input type="text" value=""/> <input type="text" value=""/> MG/Yr	<input type="text" value=""/> <input type="text" value=""/> MG/Yr
<b>WATER SUPPLIED:</b> <input type="text" value="297.548"/> MG/Yr		Enter negative % or value for under-registration Enter positive % or value for over-registration

<b>AUTHORIZED CONSUMPTION</b>	← Enter grading in column 'E' and 'J' →	Master Meter and Supply Error Adjustments
Billed metered:	<input type="text" value="7"/> <input type="text" value="203.679"/> MG/Yr	<input type="text" value=""/> <input type="text" value=""/> Pcnt: <input type="text" value=""/> Value: <input type="text" value=""/> MG/Yr
Billed unmetered:	<input type="text" value=""/> <input type="text" value=""/> MG/Yr	<input type="text" value=""/> <input type="text" value=""/> MG/Yr
Unbilled metered:	<input type="text" value="5"/> <input type="text" value="0.003"/> MG/Yr	<input type="text" value=""/> <input type="text" value=""/> MG/Yr
Unbilled unmetered:	<input type="text" value="10"/> <input type="text" value="3.382"/> MG/Yr	<input type="text" value=""/> <input type="text" value=""/> MG/Yr
<b>AUTHORIZED CONSUMPTION:</b> <input type="text" value="207.064"/> MG/Yr		

<b>WATER LOSSES (Water Supplied - Authorized Consumption)</b>	← Enter grading in column 'E' and 'J' →	Master Meter and Supply Error Adjustments
<b>Apparent Losses</b>	<input type="text" value="90.484"/> MG/Yr	<input type="text" value=""/> <input type="text" value=""/> Pcnt: <input type="text" value=""/> Value: <input type="text" value=""/> MG/Yr
Unauthorized consumption:	<input type="text" value="7"/> <input type="text" value="0.676"/> MG/Yr	<input type="text" value=""/> <input type="text" value=""/> MG/Yr
Customer metering inaccuracies:	<input type="text" value="7"/> <input type="text" value="10.720"/> MG/Yr	<input type="text" value="5.00%"/> <input type="text" value=""/> MG/Yr
Systematic data handling errors:	<input type="text" value="10"/> <input type="text" value="0.001"/> MG/Yr	<input type="text" value=""/> <input type="text" value="0.001"/> MG/Yr
<b>Apparent Losses:</b>	<input type="text" value="11.397"/> MG/Yr	
<b>Real Losses (Current Annual Real Losses or CARL)</b>		
Real Losses = Water Losses - Apparent Losses:	<input type="text" value="79.087"/> MG/Yr	
<b>WATER LOSSES:</b>	<input type="text" value="90.484"/> MG/Yr	

<b>NON-REVENUE WATER</b>	← Enter grading in column 'E' and 'J' →	Master Meter and Supply Error Adjustments
<b>NON-REVENUE WATER:</b>	<input type="text" value="93.869"/> MG/Yr	<input type="text" value=""/> <input type="text" value=""/> Pcnt: <input type="text" value=""/> Value: <input type="text" value=""/> MG/Yr
= Water Losses + Unbilled Metered + Unbilled Unmetered		
<b>SYSTEM DATA</b>		
Length of mains:	<input type="text" value="7"/> <input type="text" value="67.0"/> miles	
Number of <u>active AND inactive</u> service connections:	<input type="text" value="7"/> <input type="text" value="3,756"/> conn./mile main	
Service connection density:	<input type="text" value="56"/> conn./mile main	
Are customer meters typically located at the curbstop or property line?	<input type="text" value="Yes"/>	
Average length of customer service line:	<input type="text" value="Average"/>	
<b>Average length of customer service line has been set to zero and a data grading score of 10 has been applied</b>		
Average operating pressure:	<input type="text" value="7"/> <input type="text" value="150.0"/> psi	

<b>COST DATA</b>	← Enter grading in column 'E' and 'J' →	Master Meter and Supply Error Adjustments
Total annual cost of operating water system:	<input type="text" value="10"/> <input type="text" value="\$1,381,966"/> \$/Year	<input type="text" value=""/> <input type="text" value=""/> Pcnt: <input type="text" value=""/> Value: <input type="text" value=""/> MG/Yr
Customer retail unit cost (applied to Apparent Losses):	<input type="text" value="9"/> <input type="text" value="\$6.75"/> \$/1000 gallons (US)	<input type="text" value=""/> <input type="text" value=""/> MG/Yr
Variable production cost (applied to Real Losses):	<input type="text" value="10"/> <input type="text" value="\$2,107.96"/> \$/Million gallons	<input type="text" value=""/> <input type="text" value=""/> MG/Yr

<b>WATER AUDIT DATA VALIDITY SCORE:</b>	<b>*** YOUR SCORE IS: 84 out of 100 ***</b>
---	---

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

<b>PRIORITY AREAS FOR ATTENTION:</b>	Based on the information provided, audit accuracy can be improved by addressing the following components:
<input type="text" value="1: Unbilled metered"/>	
<input type="text" value="2: Water imported"/>	
<input type="text" value="3: Billed metered"/>	

TOWN OF SIGNAL MOUNTAIN, TENNESSEE  
Schedule of Unaccounted for Water  
June 30, 2018

AWWA Free Water Audit Software:
WAS v5.0

Water Audit Report for:

Town of Signal Mountain (0000634)

Reporting Year:

2018

7/2017 - 6/2018

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

System Attributes:

	Apparent Losses:		11.397	MG/Yr	
	+	Real Losses:	79.087	MG/Yr	
	=	<u>Water Losses:</u>	90.484	MG/Yr	
		Unavoidable Annual Real Losses (UARL):	50.69	MG/Yr	
		Annual cost of Apparent Losses:	\$76,930		
		Annual cost of Real Losses:	\$166,712		

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:		31.5%	
	Non-revenue water as percent by cost of operating system:		18.1%	Real Losses valued at Variable Production Cost
	Apparent Losses per service connection per day:		8.31	gallons/connection/day
Operational	Real Losses per service connection per day:		57.69	gallons/connection/day
	Real Losses per length of main per day*:		N/A	
	Real Losses per service connection per day per psi pressure:		0.38	gallons/connection/day/psi
From Above, Real Losses = Current Annual Real Losses (CARL):			79.09	million gallons/year
Infrastructure Leakage Index (ILI) (CARL/UARL):			1.56	

\* 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, 2018**

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 - received August 26, 2014	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	500
Construction Value of Permits issued	\$ 15,233,716

**FIRE PROTECTION**

Number of stations	2
Number of employees	29.5
Number of trucks	5

**POLICE PROTECTION**

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

**PUBLIC WORKS**

Miles of Town maintained streets	65.13
Number of solid waste customers (households)	2,981
Recycle materials (tons)	805.06

**RECREATION**

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

**WATER FACILITIES**

Number of water taps	3,756
Storage capacity (gallons)	2,000,000

**Current water rates are as follows:**

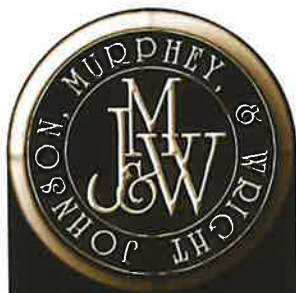
**Inside Town Limits**

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

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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

Jennifer Waycaster, 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, 2018, 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 30, 2018.

**Internal Control over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Signal Mountain, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 30, 2018

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

**TOWN OF SIGNAL MOUNTAIN, TENNESSEE**  
**Schedule of Findings and Responses**  
**June 30, 2018**

**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, 2018**

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
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There were no prior findings reported.