

Financial Statements

TOWN OF ENGLEWOOD, TENNESSEE

Year Ended June 30, 2013

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Englewood, Tennessee as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Englewood, Tennessee's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Town of Englewood, Tennessee as of June 30, 2013, and the respective changes in its financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Drug Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages on pages 4 to 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Other Information

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

The schedules of revenue and expenditures – solid waste activities, investments, property taxes receivable, long-term debt requirements and expenditures of federal and state awards 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 schedules of revenue and expenditures – solid waste activities, investments, property taxes receivable, long-term debt requirements and expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013, on our consideration of Town of Englewood, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Englewood, Tennessee's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

December 6, 2013

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Management's Discussion and Analysis For the Year Ended June 30, 2013

The management of Town of Englewood, Tennessee (the Town) presents this management's discussion and analysis (MD&A) of the Town's financial condition and results of operations for the fiscal year ended June 30, 2013. This information should be read in conjunction with the accompanying financial statements.

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

Financial Highlights

The following are key financial highlights:

- The assets of the Town were more than its liabilities at June 30, 2013 by \$5,735,115 (\$5,827,305 in 2012).
- The Town's net position decreased by \$92,190 (\$138,097 in 2012) or 1.5 percent during the year ended June 30, 2013 (2 percent during 2012).
- At June 30, 2013, the Town's governmental funds reported combined ending fund balances of \$476,777, a decrease of \$128,265 from June 30, 2012. At June 30, 2012, the Town's governmental funds reported combined ending fund balances of \$605,042 a decrease of \$123,561 from June 30, 2011. Of the total fund balances, \$419,459 (\$545,879 in 2012) is unassigned and available for ongoing operations.
- At June 30, 2013 the unassigned general fund balance was \$419,459 (\$545,879 in 2012) or 31 percent (61 percent in 2012) of general fund expenditures. This demonstrates the Town's fiscal discipline and will help meet unexpected emergencies and other uncertainties the Town may face during the course of everyday operations.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the Town include the following:

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

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

The government-wide financial statements can be found on pages 11 to 13 of this report.

Fund Financial Statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures and changes in fund balances for the general fund and the drug fund, both of which are considered to be major funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for both major funds and are presented on pages 19 to 27.

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

The Town's enterprise funds, the water and sewer fund and the natural gas fund, are major funds and are reported separately in the fund financial statements. The proprietary fund financial statements are presented on pages 28 to 32 in the basic financial statements.

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded its liabilities by \$5,735,115 (\$5,827,305 in 2012).

By far, the largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, utility facilities, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services; consequently, these assets are *not* available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate long-term debt. At year-end the Town's statement of net position consisted of the following:

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets	\$ 1,350,958	\$ 1,528,744
Capital assets, net of accumulated depreciation	<u>5,543,834</u>	<u>5,644,060</u>
Total Assets	<u>\$ 6,894,792</u>	<u>\$ 7,172,804</u>
LIABILITIES		
Current liabilities	\$ 215,781	\$ 216,561
Non-current liabilities	<u>755,771</u>	<u>952,871</u>
Total Liabilities	971,552	1,169,432
DEFERRED INFLOW OF RESOURCES		
Deferred revenue	188,125	176,069
NET POSITION		
Net investment in capital assets	4,756,055	4,639,289
Restricted	35,298	37,143
Unrestricted	<u>943,761</u>	<u>1,150,874</u>
Total Net Position	<u>5,735,115</u>	<u>5,827,305</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$ 6,894,792</u>	<u>\$ 7,172,804</u>

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

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

	<u>2013</u>	<u>2012</u>
REVENUE		
Program revenue:		
Fees, fines and charges for services	\$ 1,164,332	\$ 1,069,139
Operating grants and contributions	58,228	56,490
Capital grants and contributions	81,386	0
General revenue:		
Local taxes	321,914	298,710
State and federal	138,207	135,563
Miscellaneous	5,173	19,454
Investment income	<u>3,668</u>	<u>9,771</u>
	1,772,908	1,589,127

EXPENSES

General government	235,674	191,253
Public safety	395,302	335,913
Highways and streets	96,844	147,847
Solid waste collection and disposal	69,877	63,421
Interest on long-term debt	7,317	2,200
Public welfare	86,045	80,836
Natural gas	205,724	149,426
Water and sewer	<u>768,315</u>	<u>756,327</u>
	<u>1,865,098</u>	<u>1,727,223</u>
(Decrease) in net position	(92,190)	(138,097)
Net position at the beginning of the year	<u>5,827,305</u>	<u>5,965,401</u>
Net position at the end of the year	<u>\$ 5,735,115</u>	<u>\$ 5,827,305</u>

Governmental Activities - Governmental activities during the year ended June 30, 2013 decreased the Town's net position by \$71,047 (\$30,285 in 2012). This decrease was mainly due to early retirement of outstanding debt.

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

Business Type Activities - Business-type activities during the year ended June 30, 2013 decreased the Town's net position by \$21,143 (\$107,812 in 2012). The water and sewer fund reported a decrease of \$27,474 (\$109,509 in 2012) and the natural gas fund reported an increase of \$6,331 (\$1,697 in 2012).

Capital Assets

The Town's investment in capital assets as of June 30, 2013 was \$5,543,834 (\$5,644,060 in 2012) net of accumulated depreciation.

	<u>2013</u>	<u>2012</u>
Land	\$ 146,709	\$ 146,709
Buildings	501,754	462,627
Utility Plant	6,632,695	6,619,170
Office equipment	7,263	16,366
Equipment	1,411,687	1,422,528
Vehicles	358,916	465,555
Land improvements	70,732	70,732
Accumulated depreciation	<u>(3,585,920)</u>	<u>(3,559,628)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 5,543,834</u>	<u>\$ 5,644,060</u>

The major capital asset additions during the year ended June 30, 2013 were as follows:

Backhoe	\$ 77,147
Police vehicle	12,200
Energy efficiency upgrades	81,386
Building improvements	20,833

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

Debt Administration

At June 30, 2013, the proprietary funds had outstanding debt of \$742,779 (\$838,232 in 2012) consisting of the following:

	<u>2013</u>	<u>2012</u>
Revenue bonds	\$ 476,389	\$ 486,093
Capital outlay notes	105,000	179,553
State Revolving Fund loan	161,390	172,586
Interfund loan	<u>138,389</u>	<u>0</u>
Total debt-principal	881,168	838,232
Less: current portion due	<u>(43,816)</u>	<u>(36,983)</u>
Total long-term debt-principal	<u>\$ 837,352</u>	<u>\$ 801,249</u>

During the year ended June 30, 2013, the Town retired \$215,453 (\$36,014 in 2012) on its proprietary funds debt and issued \$105,000 in capital outlay notes and a \$153,389 interfund loan.

At June 30, 2013, the general fund had outstanding debt of \$45,000 (\$166,541 in 2012) consisting of the following:

	<u>2013</u>	<u>2012</u>
Capital outlay notes	\$ 45,000	\$ 166,541
Less: current portion due	<u>(3,191)</u>	<u>(14,917)</u>
Total long-term debt-principal	<u>\$ 41,809</u>	<u>\$ 151,624</u>

During the year ended June 30, 2013 the Town retired \$566,541 (\$18,680 in 2012) on its general fund debt and issued \$445,000 in capital outlay notes.

The Town borrowed \$400,000 to use for the construction of a new city hall, but repaid the loan in its entirety after the mayor and board of commissioners voted not to proceed with construction.

The General Obligation Capital Outlay Note, Series 2013, is paid by the general fund, water and sewer fund and the gas fund separately due to the three funds using the funds for building improvements and sharing the cost of purchasing a backhoe. A detailed schedule of the payment per fund may be obtained from the Town Recorder.

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

Financial Analysis of the Town's Funds

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

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

The general fund's fund balance decreased by \$126,420 during the year ended June 30, 2013 (\$8,699 in 2012). This decrease was primarily due to early retirement of outstanding debt.

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

At June 30, 2013, the unrestricted net position for the water and sewer fund was \$173,846 (\$243,424 in 2012). At June 30, 2013, the unrestricted net position for the natural gas fund was \$289,806 (\$304,338 in 2012).

General Fund Budgetary Highlights

During the year ended June 30, 2013, actual revenue was \$19,914 less than final amended budget revenue primarily due to decreased property tax and fines and forfeitures revenue. Actual expenditures were \$71,258 less than amended budget expenditures primarily due to early retirement of debt.

Economic Factors and Next Year's Budgets and Rates

The budget has been approved for the year ending June 30, 2014. The estimated revenue and appropriations did not vary significantly from the original budget for the year ended June 30, 2013. Property tax rates for the 2014 tax year are the same as the prior year.

Requests for Information

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

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

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash	\$ 394,185	\$ 432,960	\$ 827,145
Certificates of deposit	51,363	82,593	133,957
Accounts receivable, net of allowance for uncollectible accounts	0	72,506	72,506
Property taxes receivable, net of allowance for uncollectible accounts	206,731	0	206,731
Due from other governments	32,374	0	32,374
Taxes receivable	21,789	0	21,789
Internal balances	(20,048)	20,048	0
Natural gas for resale	0	34,437	34,437
Prepaid expenses	22,020	0	22,020
Capital assets not being depreciated	107,080	39,629	146,709
Capital assets being depreciated, net of accumulated depreciation	<u>744,448</u>	<u>4,652,677</u>	<u>5,397,125</u>
	<u>\$ 1,559,941</u>	<u>\$ 5,334,851</u>	<u>\$ 6,894,792</u>

See the accompanying notes to the financial statements.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
LIABILITIES			
Accounts payable	\$ 3,290	\$ 18,465	\$ 21,756
Accrued vacation	1,466	2,327	3,793
Current portion of long-term debt	3,191	28,816	32,007
Customer deposits	125	158,100	158,225
Long-term debt, net of current portion	<u>41,809</u>	<u>713,962</u>	<u>755,771</u>
TOTAL LIABILITIES	49,881	921,671	971,552
DEFERRED INFLOW OF RESOURCES			
Deferred revenue	188,125	0	188,125
NET POSITION			
Net investment in capital assets	806,528	3,949,528	4,756,055
Restricted for drug enforcement	35,298	0	35,298
Unrestricted	<u>480,109</u>	<u>463,652</u>	<u>943,761</u>
TOTAL NET POSITION	<u>1,321,935</u>	<u>4,413,180</u>	<u>5,735,115</u>
	<u>\$ 1,559,941</u>	<u>\$ 5,334,851</u>	<u>\$ 6,894,792</u>

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 235,674	\$ 12,499	\$ 0	\$ 21,693
Public safety	395,302	180,454	7,366	0
Public welfare	86,045	18,910	11,430	0
Streets and highways	96,844	0	39,431	0
Solid waste collection and disposal	69,877	60,926	0	0
Interest on long-term debt	<u>7,317</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Governmental Activities	891,060	272,789	58,228	21,693
Business-Type Activities:				
Water and sewer	768,315	679,749	0	59,694
Natural gas	<u>205,724</u>	<u>211,794</u>	<u>0</u>	<u>0</u>
Total Business-Type Activities	<u>974,039</u>	<u>891,543</u>	<u>0</u>	<u>59,694</u>
	<u>\$ 1,865,098</u>	<u>\$ 1,164,332</u>	<u>\$ 58,228</u>	<u>\$ 81,386</u>

Net (Expense)Revenue and
Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
\$ (201,483)	\$ 0	\$ (201,483)
(207,482)	0	(207,482)
(55,705)	0	(55,705)
(57,413)	0	(57,413)
(8,951)	0	(8,951)
<u>(7,317)</u>	<u>0</u>	<u>(7,317)</u>
(538,351)	0	(538,351)
0	(28,873)	(28,873)
<u>0</u>	<u>6,070</u>	<u>6,070</u>
0	(22,802)	(22,802)
<u>0</u>	<u>(22,802)</u>	<u>(22,802)</u>
<u>\$ (538,351)</u>	<u>\$ (22,802)</u>	<u>\$ (561,153)</u>

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2013

NET (EXPENSE)REVENUE FROM PROGRAM ACTIVITIES

General Revenue:

Taxes:

Property tax

Interest and penalty

In-Lieu of tax payments

Local sales tax

Business tax

Wholesale beer tax

Cable TV franchise tax

Intergovernmental

Interest

Miscellaneous

Total General Revenue

CHANGES IN NET POSITION

NET POSITION AT THE BEGINNING OF THE YEAR

NET POSITION AT THE END OF THE YEAR

See the accompanying notes to the financial statements.

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (538,351)	\$ (22,802)	\$ (561,153)
176,198	0	\$ 176,198
2,082	0	2,082
10,777	0	10,777
78,009	0	78,009
8,410	0	8,410
26,899	0	26,899
19,539	0	19,539
138,207	0	138,207
2,009	1,659	3,668
5,173	0	5,173
467,304	1,659	468,963
(71,047)	(21,143)	(92,190)
1,392,982	4,434,323	5,827,305
\$ 1,321,935	\$ 4,413,180	\$ 5,735,115

TOWN OF ENGLEWOOD, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2013

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 358,887	\$ 35,298	\$ 394,185
Certificate of deposit	51,363	0	51,363
Property taxes receivable, net of allowance for uncollectible accounts of \$3,000	206,731	0	206,731
Due from other governments	32,374	0	32,374
Due from other funds	5,178	0	5,178
Taxes receivable	21,789	0	21,789
Prepaid expenses	22,020	0	22,020
	<u>\$ 698,342</u>	<u>\$ 35,298</u>	<u>\$ 733,640</u>
LIABILITIES			
Accounts payable	\$ 3,290	\$ 0	\$ 3,290
Due to other funds	25,226	0	25,226
Accrued vacation	1,466	0	1,466
Customer deposits	125	0	125
	<u>30,107</u>	<u>0</u>	<u>30,107</u>
TOTAL LIABILITIES			
DEFERRED INFLOW OF RESOURCES			
Deferred revenue	226,755	0	226,755
FUND BALANCES			
Nonspendable	22,020	0	22,020
Restricted	0	35,298	35,298
Unassigned	419,459	0	419,459
	<u>441,479</u>	<u>35,298</u>	<u>476,777</u>
TOTAL FUND BALANCES	<u>441,479</u>	<u>35,298</u>	<u>476,777</u>
	<u>\$ 698,342</u>	<u>\$ 35,298</u>	<u>\$ 733,640</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

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

June 30, 2013

Total Fund Balance - Governmental Funds	\$ 476,777
Capital assets used in governmental activities are reported in the statement of net position; however, they are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	851,527
Some of the Town's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures; therefore, they are reported as deferred revenue in the governmental funds balance sheet.	38,630
Long-term liabilities are not due in the current period and, therefore, are not reported in the governmental funds balance sheet.	<u>(45,000)</u>
Net Position of Governmental Activities	<u>\$ 1,321,935</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

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

Year Ended June 30, 2013

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
REVENUE			
Taxes:			
Property tax	\$ 174,148	\$ 0	\$ 174,148
Interest and penalty	2,082	0	2,082
In-Lieu of tax payments	10,777	0	10,777
Local sales tax	77,045	0	77,045
Business tax	8,501	0	8,501
Wholesale beer tax	26,899	0	26,899
Cable TV franchise tax	19,539	0	19,539
Intergovernmental	206,202	0	206,202
Licenses and permits	590	0	590
Charges for services	79,545	0	79,545
Fines and forfeitures	152,749	10,842	163,591
Donations	11,430	0	11,430
Interest	1,921	88	2,009
Rent	12,200	0	12,200
Police auction	11,153	5,710	16,863
Miscellaneous	5,173	0	5,173
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	799,955	16,639	816,594

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2013

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
EXPENDITURES			
Current:			
General government	222,851	0	222,851
Public safety	315,781	6,285	322,066
Public welfare	77,553	0	77,553
Streets and highways	90,120	0	90,120
Waste management	51,244	0	51,244
Capital outlay	39,968	12,200	52,168
Debt service	573,858	0	573,858
TOTAL EXPENDITURES	<u>1,371,375</u>	<u>18,485</u>	<u>1,389,860</u>
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	(571,420)	(1,845)	(573,265)
OTHER FINANCING SOURCES			
Proceeds from issuance of capital outlay notes	<u>445,000</u>	<u>0</u>	<u>445,000</u>
(DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES	(126,420)	(1,845)	(128,265)
FUND BALANCES AT THE BEGINNING OF THE YEAR	<u>567,899</u>	<u>37,143</u>	<u>605,042</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 441,479</u>	<u>\$ 35,298</u>	<u>\$ 476,777</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

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

Year Ended June 30, 2013

(Deficiency) of Revenue and Other Financing Sources Over Expenditures - Governmental Funds	\$(128,265)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Acquisition of capital assets	52,168
Depreciation expense	(75,032)
Loss on disposal of capital assets	(44,877)
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	566,541
Long-term debt proceeds provide current financial resources in the governmental funds; however, the issuance of debt increases long-term obligations for governmental activities.	(445,000)
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental fund financial statements:	
Deferred taxes - June 30, 2012	(35,212)
Deferred taxes - June 30, 2013	<u>38,630</u>
Change in Net Position of Governmental Activities	<u>\$ (71,047)</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

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

Year Ended June 30, 2013

	Budget		Actual	Variance
	Original	Final		Over (Under)
REVENUE				
Taxes:				
Property tax	\$ 188,500	\$ 188,500	\$ 174,148	\$ (14,352)
Interest and penalty	3,500	3,500	2,082	(1,418)
In-Lieu of tax payments	9,700	9,700	10,777	1,077
Local sales tax	73,000	73,000	77,045	4,045
Business tax	2,000	2,000	8,501	6,501
Wholesale beer tax	28,000	28,000	26,899	(1,101)
Cable TV franchise tax	11,000	11,000	19,539	8,539
	<u>315,700</u>	<u>315,700</u>	<u>318,992</u>	<u>3,292</u>
Intergovernmental:				
State income tax	7,000	7,000	4,490	(2,510)
State beer tax	810	810	757	(53)
State sales tax	113,000	113,000	105,481	(7,519)
State gasoline and motor fuel tax	43,800	43,800	39,355	(4,445)
Corporate excise tax	700	700	599	(101)
Telecommunications tax	100	100	131	31
TVA In-Lieu of tax payment	24,000	24,000	23,189	(811)
City streets and transportation funds	2,560	2,560	3,139	579
Energy efficiency grant	0	21,692	21,693	1
Highway safety grant	5,000	5,000	4,966	(34)
State law enforcement grant	3,000	3,000	2,400	(600)
	<u>199,970</u>	<u>221,662</u>	<u>206,202</u>	<u>(15,460)</u>
Fines and forfeitures	174,170	174,170	152,749	(21,421)
Licenses and permits	1,370	1,370	590	(780)

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2013

	Budget		Actual	Variance
	Original	Final		Over (Under)
Charges for services:				
Community pool admittance fees	10,000	10,000	10,784	784
Community pool rental fees	3,500	3,500	4,145	645
Community pool concessions	2,700	2,700	2,967	267
Solid waste collection fees	60,847	60,847	60,926	79
Accident report charges	100	100	209	109
Library charges	350	350	289	(61)
Park and recreation charges	0	0	225	225
	<u>77,497</u>	<u>77,497</u>	<u>79,545</u>	<u>2,048</u>
Other revenue:				
Rent	14,300	14,300	12,200	(2,100)
Interest	2,270	2,270	1,921	(349)
Donations	10,000	10,000	11,430	1,430
Police auction	0	0	11,153	11,153
Miscellaneous revenue	2,900	2,900	5,173	2,273
	<u>29,470</u>	<u>29,470</u>	<u>41,878</u>	<u>12,408</u>
TOTAL REVENUE	798,177	819,869	799,955	(19,914)
EXPENDITURES				
Financial administration:				
Salaries and wages	36,550	36,550	40,228	3,678
OASDI employer's share	2,760	2,760	2,920	160
Retirement	1,100	1,100	807	(293)
Death benefit plan	150	150	161	11
Unemployment insurance	220	220	147	(73)

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Financial administration (continued):				
Travel	150	150	95	(55)
Gas, oil and grease	500	500	448	(52)
Computer equipment	1,500	1,500	467	(1,033)
Office supplies and materials	1,500	1,500	1,200	(300)
	<u>44,430</u>	<u>44,430</u>	<u>46,474</u>	<u>2,044</u>
Judicial:				
Other professional services	3,000	3,000	1,500	(1,500)
General government:				
Salaries and wages	34,460	34,460	31,291	(3,169)
OASDI employer's share	2,525	2,525	2,330	(195)
Health insurance	4,800	4,800	5,538	738
Retirement	1,000	1,000	378	(622)
Death benefit plan	180	180	154	(26)
Unemployment insurance	200	200	228	28
Employee training	1,200	1,200	763	(437)
Postage	800	800	352	(448)
Publicity, subscriptions and dues	4,350	4,350	3,667	(683)
Accounting and auditing services	7,500	7,500	7,000	(500)
State planning services	6,750	6,750	6,750	0
Other professional services	16,000	16,000	53,721	37,721
Insurance	40,000	40,000	40,759	759
Utilities	6,150	6,150	4,477	(1,673)
Telephone	3,100	3,100	2,722	(378)
Repair and maintenance	6,000	47,187	7,156	(40,031)
Operating supplies	2,500	2,500	2,269	(231)
Landfill services	0	0	510	510
Clothing and uniforms	0	0	470	470

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2013

	Budget		Actual	Variance
	Original	Final		Over (Under)
General government (continued):				
Travel	800	800	838	38
Computer equipment	500	500	419	(81)
Donations	1,500	1,500	1,087	(413)
	<u>140,315</u>	<u>181,502</u>	<u>172,877</u>	<u>(8,625)</u>
Police department:				
Salaries and wages	160,100	160,100	163,701	3,601
OASDI employer's share	12,251	12,251	12,310	59
Health insurance	24,000	24,000	15,765	(8,235)
Retirement	4,700	4,700	2,228	(2,472)
Death benefit plan	900	900	693	(207)
Unemployment insurance	965	965	1,022	57
Employee education and training	700	700	885	185
Utilities	3,900	3,900	2,455	(1,445)
Telephone	3,000	3,000	2,266	(734)
Professional services	21,200	21,200	24,852	3,652
Repairs and maintenance	4,500	4,500	18,694	14,194
Small items of equipment	800	5,766	5,319	(447)
Supplies	1,500	1,500	1,137	(363)
Travel	100	100	1,630	1,530
Operating supplies	1,100	1,100	2,033	933
Clothing and uniforms	1,200	1,200	623	(577)
Gas, oil and grease	15,000	22,000	22,783	783
	<u>255,916</u>	<u>267,882</u>	<u>278,396</u>	<u>10,514</u>

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Fire department:				
Employee training	1,000	1,000	325	(675)
Utilities	8,900	8,900	8,765	(135)
Telephone	600	600	454	(146)
Gas, oil and grease	3,000	3,000	2,833	(167)
Repairs and maintenance	5,200	6,200	6,117	(83)
Operating supplies	7,050	10,850	10,892	42
Insurance	1,500	1,500	1,500	0
Small items of equipment	6,500	6,500	6,500	0
	<u>33,750</u>	<u>38,550</u>	<u>37,385</u>	<u>(1,165)</u>
City attorney:				
Other professional services	4,500	4,500	2,000	(2,500)
Highways and streets:				
Salaries and wages	21,450	21,450	26,469	5,019
OASDI employer's share	1,660	1,660	1,870	210
Death benefit plan	180	180	0	(180)
Unemployment insurance	135	135	238	103
Operating supplies	1,000	1,000	959	(41)
Repairs and maintenance	2,000	2,000	2,218	218
Machinery equipment and parts	15,000	15,000	2,083	(12,917)
Gas, oil and grease	2,000	2,000	996	(1,004)
Utilities	36,000	36,000	32,903	(3,097)
Clothing and uniforms	0	0	182	182
Roads, streets, and parking	48,000	48,000	22,204	(25,796)
	<u>127,425</u>	<u>127,425</u>	<u>90,120</u>	<u>(37,305)</u>

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Community swimming pool:				
Salaries and wages	14,000	14,000	14,132	132
OASDI employer's share	1,100	1,100	1,081	(19)
Unemployment insurance	85	85	227	142
Memberships and registration fees	350	350	340	(10)
Utilities	3,000	3,000	2,016	(984)
Telephone	200	200	176	(24)
Repairs and maintenance	2,000	2,000	1,491	(509)
Operating supplies	500	500	413	(87)
Chemical supplies	4,000	4,000	1,914	(2,086)
Supplies for resale	1,000	1,000	1,034	34
	<u>26,235</u>	<u>26,235</u>	<u>22,824</u>	<u>(3,411)</u>
Parks and recreation:				
Salaries and wages	2,300	2,300	10,843	8,543
OASDI employer's share	175	175	822	647
Unemployment insurance	15	15	169	154
Utilities	600	600	878	278
Repairs and maintenance	3,700	3,700	12,256	8,556
Operating supplies	250	250	1,371	1,121
	<u>7,040</u>	<u>7,040</u>	<u>26,337</u>	<u>19,297</u>
Library:				
Salaries and wages	13,800	13,800	13,712	(88)
OASDI employer's share	1,100	1,100	1,047	(53)
Unemployment insurance	100	100	144	44
Postage	50	50	0	(50)
Books, catalogues and brochures	500	500	271	(229)
Utilities	7,300	7,300	8,801	1,501

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2013

	Budget		Actual	Variance
	Original	Final		Over (Under)
Library (continued):				
Telephone	1,100	1,100	1,465	365
Accounting and auditing services	150	150	150	0
Repairs and maintenance	400	400	0	(400)
Operating supplies	800	800	802	2
Insurance	2,000	2,000	2,000	0
	<u>27,300</u>	<u>27,300</u>	<u>28,392</u>	<u>1,092</u>
Solid waste management:				
Salaries and wages	25,488	25,488	24,633	(855)
OASDI employer's share	1,881	1,881	1,749	(132)
Unemployment insurance	148	148	349	201
Accounting and auditing services	2,500	2,500	2,500	0
Repairs and maintenance	4,000	4,000	196	(3,804)
Landfill services	14,000	14,000	10,247	(3,754)
Clothing and uniforms	200	200	647	447
Office supplies	4,500	4,500	2,022	(2,478)
Gas, oil and grease	5,000	5,000	4,401	(599)
Insurance	4,500	4,500	4,500	0
	<u>62,217</u>	<u>62,217</u>	<u>51,244</u>	<u>(10,973)</u>
Capital outlay:				
General government	0	13,685	13,685	0
Public safety	0	8,007	8,008	1
Public welfare	0	0	1,275	1,275
Streets and highways	0	17,000	17,000	0
	<u>0</u>	<u>38,692</u>	<u>39,968</u>	<u>1,276</u>

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2013

	Budget		Actual	Variance Over (Under)
	Original	Final		
Debt service:				
Note principal	41,920	594,730	566,541	(28,189)
Interest expense	19,129	19,129	7,317	(11,812)
	<u>61,049</u>	<u>613,859</u>	<u>573,858</u>	<u>(40,001)</u>
TOTAL EXPENDITURES	<u>793,177</u>	<u>1,442,632</u>	<u>1,371,375</u>	<u>(71,258)</u>
EXCESS(DEFICIENCY) OF REVENUE OVER EXPENDITURES	5,000	(622,763)	(571,420)	51,344
OTHER FINANCING SOURCES				
Proceeds from issuance of capital outlay notes	<u>0</u>	<u>470,153</u>	<u>445,000</u>	<u>(25,153)</u>
EXCESS(DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES	5,000	(152,610)	(126,420)	26,191
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>152,610</u>	<u>567,899</u>	<u>415,289</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 5,000</u>	<u>\$ 0</u>	<u>\$ 441,479</u>	<u>\$ 441,479</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

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

Year Ended June 30, 2013

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Drug related fines	\$ 4,935	\$ 4,935	\$ 10,492	\$ 5,557
Drug seizure money	1,000	1,000	350	(650)
Police auction	0	0	5,710	5,710
Miscellaneous	100	100	88	(12)
TOTAL REVENUE	6,035	6,035	16,639	10,604
EXPENDITURES				
Salaries and wages	1,800	1,800	2,321	521
OASDI employer's share	135	135	236	101
Unemployment insurance	30	30	10	(20)
Operating supplies	20	20	16	(4)
Investigative funds	1,000	1,000	0	(1,000)
Other professional services	800	800	0	(800)
Repairs and maintenance	1,250	2,536	3,458	922
Travel and training	1,000	1,000	244	(756)
Capital outlay	0	12,200	12,200	0
TOTAL EXPENDITURES	6,035	19,521	18,485	(1,036)
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	0	(13,486)	(1,845)	11,641
FUND BALANCE AT THE BEGINNING OF THE YEAR	0	13,486	37,143	23,657
FUND BALANCE AT THE END OF THE YEAR	\$ 0	\$ 0	\$ 35,298	\$ 35,298

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2013

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 272,364	\$ 160,596	\$ 432,960
Certificates of deposit	82,593	0	82,593
Accounts receivable, net of allowance for uncollectible accounts of \$1,481	72,506	0	72,506
Due from other funds	35,236	15,000	50,236
Natural gas for resale	<u>0</u>	<u>34,437</u>	<u>34,437</u>
TOTAL CURRENT ASSETS	462,700	210,033	672,733
CAPITAL ASSETS			
Land	39,372	257	39,629
Buildings	94,002	0	94,002
Utility plant	6,409,817	222,878	6,632,695
Equipment	917,088	45,857	962,945
Vehicles	<u>9,867</u>	<u>40,131</u>	<u>49,998</u>
	7,470,146	309,123	7,779,269
Accumulated depreciation	<u>(2,854,404)</u>	<u>(232,558)</u>	<u>(3,086,962)</u>
	4,615,742	76,565	4,692,307
OTHER ASSETS			
Loan receivable from water and sewer fund	<u>0</u>	<u>138,389</u>	<u>138,389</u>
TOTAL ASSETS	<u>\$ 5,078,441</u>	<u>\$ 424,986</u>	<u>\$ 5,503,427</u>

See the accompanying notes to the financial statements.

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
<u>LIABILITIES AND NET POSITION</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 14,004	\$ 4,461	\$ 18,465
Accrued vacation	1,123	1,204	2,327
Customer deposits	130,159	27,940	158,100
Due to other funds	5,178	25,010	30,188
Current portion of long-term debt	<u>42,752</u>	<u>1,064</u>	<u>43,816</u>
TOTAL CURRENT LIABILITIES	193,217	59,680	252,896
LONG-TERM DEBT			
Bonds and notes payable	727,778	15,000	742,778
Loan payable to natural gas fund	138,389	0	138,389
Current maturities	<u>(42,752)</u>	<u>(1,064)</u>	<u>(43,816)</u>
	<u>823,415</u>	<u>13,936</u>	<u>837,351</u>
TOTAL LIABILITIES	1,016,632	73,616	1,090,247
NET POSITION			
Net investment in capital assets	3,887,964	61,565	3,949,528
Unrestricted	<u>173,846</u>	<u>289,806</u>	<u>463,652</u>
	<u>4,061,810</u>	<u>351,370</u>	<u>4,413,180</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 5,078,441</u>	<u>\$ 424,986</u>	<u>\$ 5,503,427</u>

TOWN OF ENGLEWOOD, TENNESSEE

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

Year Ended June 30, 2013

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
OPERATING REVENUE			
Sales	\$ 647,876	\$ 207,322	\$ 855,198
Other operating revenue	<u>31,873</u>	<u>4,472</u>	<u>36,345</u>
TOTAL OPERATING REVENUE	679,749	211,794	891,543
OPERATING EXPENSES			
Purchased water/gas	102,260	88,202	190,462
Purification	155,173	0	155,173
Transmission and distribution	126,156	54,359	180,514
Sewer collection lines	4,905	0	4,905
Sewer treatment and disposal	91,383	0	91,383
Customer accounting and collection	31,958	5,473	37,430
Administrative and general expense	60,735	51,989	112,724
Depreciation	<u>171,655</u>	<u>5,286</u>	<u>176,941</u>
TOTAL OPERATING EXPENSES	<u>744,224</u>	<u>205,308</u>	<u>949,531</u>
(LOSS)INCOME FROM OPERATIONS	(64,474)	6,486	(57,988)
NONOPERATING REVENUE(EXPENSE)			
Interest income	1,398	261	1,659
Interest expense	<u>(24,091)</u>	<u>(416)</u>	<u>(24,507)</u>
	<u>(22,693)</u>	<u>(155)</u>	<u>(22,848)</u>
(LOSS)INCOME BEFORE CAPITAL CONTRIBUTIONS	(87,167)	6,331	(80,836)

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2013

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
CAPITAL CONTRIBUTIONS	<u>59,694</u>	<u>0</u>	<u>59,694</u>
CHANGES IN NET POSITION	(27,474)	6,331	(21,143)
NET POSITION AT THE BEGINNING OF THE YEAR	<u>4,089,283</u>	<u>345,039</u>	<u>4,434,323</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 4,061,810</u>	<u>\$ 351,370</u>	<u>\$ 4,413,180</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended June 30, 2013

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
CASH PROVIDED(USED) BY OPERATING ACTIVITIES			
Cash received from customers	\$ 673,008	\$ 213,558	\$ 886,566
Cash paid to employees	(193,309)	(58,544)	(251,853)
Cash paid to suppliers	<u>(412,395)</u>	<u>(96,239)</u>	<u>(508,634)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	67,304	58,775	126,079
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	90,000	15,000	105,000
Principal payments of long-term debt	(174,304)	(26,149)	(200,453)
Interest paid on debt	(24,091)	(416)	(24,507)
Capital contributions	59,694	0	59,694
Acquisition of capital assets	<u>(129,455)</u>	<u>(15,000)</u>	<u>(144,455)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(178,156)	(26,565)	(204,721)
CASH PROVIDED(USED) BY INVESTING ACTIVITIES			
Issuance of long-term debt	153,389	(153,389)	0
Payments on long-term debt	(15,000)	15,000	0
Interest received	<u>1,398</u>	<u>261</u>	<u>1,659</u>
NET CASH PROVIDED(USED) BY INVESTING ACTIVITIES	<u>139,787</u>	<u>(138,128)</u>	<u>1,659</u>

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2013

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
NET INCREASE(DECREASE) IN CASH	28,935	(105,917)	(76,982)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>326,022</u>	<u>266,514</u>	<u>592,535</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 354,958</u>	<u>\$ 160,596</u>	<u>\$ 515,553</u>
RECONCILIATION OF (LOSS)INCOME FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES			
(Loss)income from operations	\$ (64,474)	\$ 6,486	\$ (57,988)
Adjustments to reconcile (loss)income from operations to net cash provided by operating activities:			
Depreciation	171,655	5,286	176,941
(Increase)decrease in:			
Accounts receivable	(11,766)	0	(11,766)
Inventory	0	27,789	27,789
Due from other funds	(35,236)	(12,021)	(47,257)
Increase(decrease) in:			
Accounts payable	5,130	4,461	9,591
Due to other funds	(3,029)	25,010	21,981
Customer deposits	5,025	1,764	6,789
	<u>131,779</u>	<u>52,289</u>	<u>184,068</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 67,304</u>	<u>\$ 58,775</u>	<u>\$ 126,079</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE A - DESCRIPTION OF ORGANIZATION

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town, for financial reporting purposes, includes all funds relevant to the operations of Town of Englewood, Tennessee. The financial statements presented herein do not include agencies that have been formed under applicable state laws, or separate and distinct units of government apart from Town of Englewood, Tennessee. As of June 30, 2013, and for the year then ended, the Town had no discretely presented component units which were required to be included in these financial statements.

Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

Measurement Focus, Basis of Accounting, and Basis of Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenue to be available if it is collected within 30 days of the end of the current fiscal period. Property taxes are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

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

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

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary funds:

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

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

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

The Town had no internal service funds or fiduciary funds as of or for the year ended June 30, 2013.

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

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

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

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

Net investment in capital assets

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

Net investment in capital assets at June 30, 2013 has been calculated as follows:

Governmental activities:

Capital assets	\$ 1,350,487
Accumulated depreciation	(498,960)
Principal balance of long-term debt	<u>(45,000)</u>
	<u>\$ 806,528</u>

Business-Type activities:

Water and Sewer Fund:

Capital assets	\$ 7,470,145
Accumulated depreciation	(2,854,404)
Principal balance of long-term debt	<u>(727,778)</u>
	<u>\$ 3,887,964</u>

Natural Gas Fund:

Capital assets	\$ 309,123
Accumulated depreciation	(232,558)
Principal balance of long-term debt	<u>(15,000)</u>
	<u>\$ 61,565</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

Restricted

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

Unrestricted

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

Fund Balances

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Budgets and Budgetary Accounting

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

Capital Assets

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

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

Inventory

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

Compensated Absences

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

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

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts is provided based upon historical trends. The allowance for uncollectible accounts at June 30, 2013 was as follows:

Governmental funds	\$	3,000
Proprietary funds		1,481

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

NOTE C - CASH AND INVESTMENTS

Investments that have maturities of three months or less at the date of purchase are classified as cash equivalents. Cash represents money on deposit in various banks. Cash and investments are stated at cost, which approximates market value. Carrying amounts at June 30, 2013 were as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Totals</u>
Cash on hand	\$ 200	\$ 0	\$ 200
Bank deposits (checking and savings accounts)	393,985	432,960	826,945
Certificates of deposit	<u>51,363</u>	<u>82,593</u>	<u>133,957</u>
Totals	<u>\$ 445,548</u>	<u>\$ 515,553</u>	<u>\$ 961,102</u>

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

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

All cash balances of the Town at June 30, 2013 were entirely insured through the Federal Deposit Insurance Corporation, the State of Tennessee Bank Collateral Pool or collateral held by the Town or by its agent in the Town's name.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

NOTE D – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Balance</u> <u>7/1/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/13</u>
Governmental Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 107,080	\$ 0	\$ 0	\$ 107,080
<u>Capital assets being depreciated</u>				
Buildings	386,059	21,693	0	407,752
Land improvements	70,732	0	0	70,732
Vehicles	438,051	12,200	(141,333)	308,918
Office equipment	16,366	1,275	(10,378)	7,263
Equipment	<u>519,632</u>	<u>17,000</u>	<u>(87,890)</u>	<u>448,742</u>
	1,430,840	52,168	(239,601)	1,243,407
<u>Accumulated depreciation</u>				
Buildings	(97,438)	(10,779)	0	(108,217)
Land improvements	(16,826)	(3,584)	0	(20,410)
Vehicles	(172,716)	(33,121)	97,247	(108,590)
Office equipment	(11,975)	(1,198)	10,378	(2,794)
Equipment	<u>(319,699)</u>	<u>(26,350)</u>	<u>87,099</u>	<u>(258,949)</u>
	<u>(618,652)</u>	<u>(75,032)</u>	<u>194,724</u>	<u>(498,960)</u>
	<u>\$ 919,268</u>	<u>\$ (22,864)</u>	<u>\$ (44,877)</u>	<u>\$ 851,527</u>

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

General government	\$ 12,824
Public safety	28,359
Public welfare	8,492
Streets and highways	6,724
Solid waste collection and disposal	<u>18,633</u>
	<u>\$ 75,032</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

	<u>Balance</u> <u>7/1/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/13</u>
Business-Type Activities:				
Water and Sewer Fund				
<u>Capital assets not being depreciated</u>				
Land	\$ 39,372	\$ 0	\$ 0	\$ 39,372
<u>Capital assets being depreciated</u>				
Buildings	76,568	17,434	0	94,002
Utility plant	6,342,942	66,875	0	6,409,817
Equipment	902,896	45,147	(30,955)	917,088
Vehicles	<u>9,867</u>	<u>0</u>	<u>0</u>	<u>9,867</u>
	7,332,273	129,455	(30,955)	7,430,773
<u>Accumulated depreciation</u>				
Buildings	(31,114)	(1,822)	0	(32,936)
Utility plant	(2,278,253)	(147,763)	0	(2,426,016)
Equipment	(398,724)	(21,083)	30,955	(388,852)
Vehicles	<u>(5,612)</u>	<u>(987)</u>	<u>0</u>	<u>(6,599)</u>
	<u>(2,713,704)</u>	<u>(171,655)</u>	<u>30,955</u>	<u>(2,854,404)</u>
	<u>\$ 4,657,941</u>	<u>\$ (42,200)</u>	<u>\$ 0</u>	<u>\$ 4,615,742</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

	<u>Balance</u> <u>7/1/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/13</u>
Natural Gas Fund				
<u>Capital assets not being depreciated</u>				
Land	\$ 257	\$ 0	\$ 0	\$ 257
<u>Capital assets being depreciated</u>				
Utility plant	222,878	0	0	222,878
Equipment	30,856	15,000	0	45,857
Vehicles	<u>40,131</u>	<u>0</u>	<u>0</u>	<u>40,131</u>
	293,865	15,000	0	308,866
<u>Accumulated depreciation</u>				
Utility plant	(168,359)	(3,997)	0	(172,356)
Equipment	(30,856)	(375)	0	(31,231)
Vehicles	<u>(28,057)</u>	<u>(914)</u>	<u>0</u>	<u>(28,971)</u>
	<u>(227,272)</u>	<u>(5,286)</u>	<u>0</u>	<u>(232,558)</u>
	<u>\$ 66,850</u>	<u>\$ 9,714</u>	<u>\$ 0</u>	<u>\$ 76,565</u>

NOTE E – LONG-TERM DEBT

Long-term debt at June 30, 2013 consisted of the following:

Governmental Activities:

General Obligation Capital Outlay Note, Series 2013 due in semi-annual installments of \$2,246, including interest at 2.89% through 2025	\$ 45,000
Less current maturities	<u>(3,191)</u>
	<u>\$ 41,809</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

Business-Type Activities:

Water and Sewer Revenue Bonds, Series 2001 due in monthly installments of \$2,724, including interest at 4.75%	\$ 476,389
General Obligation Capital Outlay Note, Series 2013 due in semi-annual installments of \$5,240, including interest at 2.89% through 2025	105,000
2006 State Revolving Fund Loan, interest rate of 0.00% due in monthly installments of \$933 through 2027	161,390
Water and sewer fund loan payable to the natural gas fund, interest rate of 0.00%, due in annual installments of \$15,000 through 2022	<u>138,389</u>
	881,168
Less current maturities	<u>(43,816)</u>
	<u>\$ 837,352</u>

Maturities of long-term debt as of June 30, 2013 are as follows:

Governmental Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 3,191	\$ 1,301	\$ 4,491
2015	3,283	1,208	4,491
2016	3,378	1,113	4,491
2017	3,475	1,016	4,491
2018	3,576	915	4,491
2019	3,679	812	4,491
2020	3,785	706	4,491

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

Governmental Activities (continued):

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	3,895	596	4,491
2022	4,007	484	4,491
2023	4,123	368	4,491
2024	4,242	249	4,491
2025	<u>4,365</u>	<u>126</u>	<u>4,491</u>
	<u>\$ 45,000</u>	<u>\$ 8,894</u>	<u>\$ 53,894</u>

Business-Type Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 43,816	\$ 25,548	\$ 69,363
2015	44,525	24,838	69,363
2016	45,263	24,100	69,363
2017	46,035	23,328	69,363
2018	46,839	22,525	69,363
2019	47,677	21,687	69,363
2020	48,551	20,813	69,363
2021	49,463	19,901	69,363
2022	53,803	18,950	72,753
2023	36,406	17,957	54,363
2024	37,441	16,922	54,363
2025	38,520	15,843	54,363
2026	29,167	14,717	43,884
2027	30,040	13,844	43,884
2028	24,404	12,930	37,334
2029	20,718	11,970	32,688
2030	21,723	10,965	32,688
2031	22,778	9,910	32,688
2032	23,884	8,804	32,688
2033	25,043	7,645	32,688
2034	26,259	6,429	32,688

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

Business-Type Activities (continued):

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2035	27,534	5,154	32,688
2036	28,871	3,817	32,688
2037	30,272	2,416	32,688
2038	31,742	946	32,688
2039	<u>395</u>	<u>10</u>	<u>405</u>
	<u>\$ 881,168</u>	<u>\$ 361,972</u>	<u>\$ 1,243,140</u>

Changes in long-term debt for the year ended June 30, 2013 were as follows:

	<u>Balance 7/1/12</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance 6/30/13</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
Natural Gas Bond, Series 2001	\$ 166,541	\$ 0	\$ 166,541	\$ 0	\$ 0
Capital Outlay Note, Series 2012	0	400,000	400,000	0	0
Capital Outlay Note, Series 2013	<u>0</u>	<u>45,000</u>	<u>0</u>	<u>45,000</u>	<u>3,191</u>
	<u>\$ 166,541</u>	<u>\$ 445,000</u>	<u>\$ 566,541</u>	<u>\$ 45,000</u>	<u>\$ 3,191</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

	<u>Balance</u> <u>7/1/12</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/13</u>	<u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u>
<u>Business-Type Activities:</u>					
Water and Sewer Revenue Bonds, Series 2001	\$ 486,093	\$ 0	\$ 9,704	\$ 476,389	\$ 10,175
Natural Gas Bond, Series 2001	179,553	0	179,553	0	0
2006 State Revolving Fund Loan	172,586	0	11,196	161,390	11,196
Capital Outlay Note, Series 2013	0	105,000	0	105,000	7,445
Water and sewer fund loan payable to natural gas fund	<u>0</u>	<u>153,389</u>	<u>15,000</u>	<u>138,389</u>	<u>15,000</u>
	<u>\$ 838,232</u>	<u>\$ 258,389</u>	<u>\$ 215,453</u>	<u>\$ 881,168</u>	<u>\$ 43,816</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

Amounts due from and due to other funds at June 30, 2013, resulting from short-term advances for shared costs, are summarized as follows:

<u>Due To</u>	<u>Due From</u>			<u>Totals</u>
	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	
Governmental Activities:				
General Fund	\$ 0	\$ 5,178	\$ 0	\$ 5,178
Business-Type Activities:				
Water and Sewer Fund	10,226	0	25,010	35,236
Natural Gas Fund	<u>15,000</u>	<u>0</u>	<u>0</u>	<u>15,000</u>
	<u>\$ 25,226</u>	<u>\$ 5,178</u>	<u>\$ 25,010</u>	<u>\$ 55,414</u>

NOTE G - RETIREMENT PLAN

The Town has a defined contribution retirement plan for all eligible employees. The plan provides for employer matching contributions up to three percent of total wages. Employees who have received at least \$5,000 in compensation during any of the two immediately preceding years and who are expected to receive at least \$5,000 in compensation during the current year are eligible to participate in the plan. Retirement expense for the year ended June 30, 2013 was \$5,490.

NOTE H – CHANGE IN RESTRICTED NET POSITION

State Street Aid:

Balance, July 1, 2012	\$ 0
Received	39,355
Current expenditures	(90,120)
Expended from unrestricted funds	<u>50,765</u>
Balance, June 30, 2013	<u>\$ 0</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

NOTE I - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Tennessee Municipal League Risk Management Pool (the Pool) and pays an annual premium to the Pool for its workers' compensation, general liability coverage, destruction of property and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The pooling agreement allows the Pool to make additional assessments or refund surplus revenues to the Town. It is not possible to estimate the amount of such additional assessments or refunds.

NOTE J - COMMITMENT

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

SUPPLEMENTARY INFORMATION

TOWN OF ENGLEWOOD, TENNESSEE

REVENUE AND EXPENDITURES - SOLID WASTE ACTIVITIES

Year Ended June 30, 2013

REVENUE

Charges for services	\$ 60,926
Interest earned	66
Miscellaneous	<u>1,189</u>

TOTAL REVENUE 62,180

EXPENDITURES

Salaries and wages	\$ 24,633
OASDI employer's share	1,749
Employee benefits	349
Accounting and auditing services	2,500
Repairs and maintenance	196
Landfill services	10,247
Clothing and uniforms	647
Office supplies	2,022
Gas, oil and grease	4,401
Insurance	<u>4,500</u>

TOTAL EXPENDITURES 51,244

**EXCESS OF REVENUE
OVER EXPENDITURES** \$ 10,936

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

INVESTMENTS

June 30, 2013

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
<u>General Fund – Certificate of Deposit</u> Citizens Bank	0.20%	7/18/13	\$ 51,363
<u>Water and Sewer Fund – Certificate of Deposit</u> Citizens Bank	0.20%	7/18/13	<u>82,593</u>
			<u>\$ 133,957</u>

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2013

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2012</u>
2013	\$ 1.250	\$ 15,046,855	\$ 188,125	\$ 0
2012	1.162	15,496,461	179,069	179,069
2011	1.162	15,324,319	178,131	10,887
2010	1.162	15,038,514	174,739	4,291
2009	1.162	15,348,718	178,367	1,288
2008	1.440	12,222,148	177,491	89
2007	1.440	12,250,553	176,408	0
2006	1.440	12,168,483	175,226	0
2005	1.440	12,036,208	173,321	0
2004	1.440	11,880,172	171,074	0
2003	1.440	11,417,666	164,896	0
2002	1.440	9,292,719	133,815	0
				<u>\$ 195,625</u>

Property taxes unpaid for 2008 through 2011 have been filed with the McMinn County Clerk and Master.

See the accompanying independent accountants' audit report.

<u>Taxes Levied</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Balance June 30, 2013</u>
\$ 188,125	\$ 0	\$ 0	\$ 188,125
0	129	168,773	10,425
0	0	3,750	7,137
0	0	1,255	3,036
0	0	466	822
0	0	(96)	185
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 188,125</u>	<u>\$ 129</u>	<u>\$ 174,148</u>	<u>\$ 209,731</u>

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2013

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
Capital Outlay Note, Series 2013			
Year ending June 30,			
2014	\$ 3,191	\$ 1,301	\$ 4,491
2015	3,283	1,208	4,491
2016	3,378	1,113	4,491
2017	3,475	1,016	4,491
2018	3,576	915	4,491
2019	3,679	812	4,491
2020	3,785	706	4,491
2021	3,895	596	4,491
2022	4,007	484	4,491
2023	4,123	368	4,491
2024	4,242	249	4,491
2025	4,365	126	4,491
	<u>\$ 45,000</u>	<u>\$ 8,894</u>	<u>\$ 53,894</u>

Business-Type Activities:

Water and Sewer Revenue Bonds,
Series 2001

Year ending June 30,			
2014	\$ 10,175	\$ 22,513	\$ 32,688
2015	10,669	22,019	32,688
2016	11,186	21,502	32,688
2017	11,730	20,958	32,688
2018	12,299	20,389	32,688
2019	12,896	19,792	32,688
2020	13,522	19,166	32,688
2021	14,179	18,509	32,688
2022	14,867	17,821	32,688
2023	15,589	17,099	32,688
2024	16,346	16,342	32,688
2025	17,139	15,549	32,688

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2013

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Water and Sewer Revenue Bonds, Series 2001 (continued)			
Year ending June 30,			
2026	17,971	14,717	32,688
2027	18,844	13,844	32,688
2028	19,758	12,930	32,688
2029	20,718	11,970	32,688
2030	21,723	10,965	32,688
2031	22,778	9,910	32,688
2032	23,884	8,804	32,688
2033	25,043	7,645	32,688
2034	26,259	6,429	32,688
2035	27,534	5,154	32,688
2036	28,871	3,817	32,688
2037	30,272	2,416	32,688
2038	31,742	946	32,688
2039	395	10	405
	<u>\$ 476,389</u>	<u>\$ 341,216</u>	<u>\$ 817,605</u>

2006 State Revolving Fund Loan

Year ending June 30,			
2014	\$ 11,196	\$ 0	\$ 11,196
2015	11,196	0	11,196
2016	11,196	0	11,196
2017	11,196	0	11,196
2018	11,196	0	11,196
2019	11,196	0	11,196
2020	11,196	0	11,196

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2013

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2006 State Revolving Fund Loan (continued)			
Year ending June 30,			
2021	11,196	0	11,196
2022	11,196	0	11,196
2023	11,196	0	11,196
2024	11,196	0	11,196
2025	11,196	0	11,196
2026	11,196	0	11,196
2027	11,196	0	11,196
2028	4,646	0	4,646
	<u>\$ 161,390</u>	<u>\$ 0</u>	<u>\$ 161,390</u>
Capital Outlay Note, Series 2013			
Year ending June 30,			
2014	\$ 7,445	\$ 3,035	\$ 10,480
2015	7,660	2,819	10,479
2016	7,881	2,598	10,479
2017	8,109	2,370	10,479
2018	8,344	2,136	10,480
2019	8,585	1,895	10,480
2020	8,833	1,647	10,480
2021	9,088	1,392	10,480
2022	9,351	1,129	10,480
2023	9,621	858	10,479
2024	9,899	580	10,479
2025	10,184	294	10,478
	<u>\$ 105,000</u>	<u>\$ 20,753</u>	<u>\$ 125,753</u>

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2013

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Loan payable to natural gas fund			
Year ending June 30,			
2014	\$ 15,000	\$ 0	\$ 15,000
2015	15,000	0	15,000
2016	15,000	0	15,000
2017	15,000	0	15,000
2018	15,000	0	15,000
2019	15,000	0	15,000
2020	15,000	0	15,000
2021	15,000	0	15,000
2022	18,389	0	18,389
	<u>\$ 138,389</u>	<u>\$ 0</u>	<u>\$ 138,389</u>

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2013

<u>CFDA Number</u>	<u>Project Number</u>	<u>Program Name</u>	<u>Federal Grantor/ Pass-Through Grantor</u>
20.607	PT-13-10	Open Alcohol Container Requirements	U.S. Department of Transportation/ Tennessee Department of Transportation
81.128 ARRA	33008-76313	Energy Efficiency and Conservation Block Grant	U.S. Department of Energy/ Tennessee Department of Economic and Community Development

This schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the *Audit Manual*, issued by the State of Tennessee Department of Audit. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See the accompanying independent accountants' audit report

<u>Receivable</u> <u>July 1, 2012</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable</u> <u>June 30, 2013</u>
\$ 0	\$ 4,966	\$ 4,966	\$ 0
<u>0</u>	<u>81,386</u>	<u>81,386</u>	<u>0</u>
<u>\$ 0</u>	<u>\$ 86,352</u>	<u>\$ 86,352</u>	<u>\$ 0</u>

TOWN OF ENGLEWOOD, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

June 30, 2013

<u>WATER</u>	<u>Inside Town</u>	<u>Outside Town</u>
Utility Rates		
Residential		
First 2,500 (3/4" meter, minimum monthly bill)	\$ 11.76	\$ 23.52
First 2,500 (2" meter, minimum monthly bill)	37.54	75.08
First 2,500 (4" meter, minimum monthly bill)	127.22	254.44
Over 2,500 gallons (per thousand)	5.47	10.95
Commercial		
First 2,500 gallons	\$ 36.33	\$ 36.33
Over 2,500 gallons (per thousand)	20.73	20.73

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

SEWER

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

Sewer tap fee is cost plus 10%

NATURAL GAS

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

<u>METERED CUSTOMERS</u>	<u>Total</u>
Water	1,427
Sewer	593
Natural Gas	296

See the accompanying independent accountants' audit report.

AWWA WLCC Free Water Audit Software: Reporting Worksheet

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WAS v4.2

[Back to Instructions](#)

[?](#) Click to access definition

Water Audit Report for: **Englewood Water and Gas Department**

Reporting Year: **2013** 7/2012 - 6/2013

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

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

WATER SUPPLIED

<< Enter grading in column 'E'

Volume from own sources:	<input type="text" value="7"/>	<input type="text" value="66.080"/>	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	<input type="text" value="3"/>	<input type="text" value="0.717"/>	under-registered MG/Yr
Water imported:	<input type="text" value="9"/>	<input type="text" value="43.060"/>	MG/Yr
Water exported:	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
WATER SUPPLIED:		109.857	MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	<input type="text" value="6"/>	<input type="text" value="60.974"/>	MG/Yr
Billed unmetered:	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
Unbilled metered:	<input type="text" value="10"/>	<input type="text" value="10.181"/>	MG/Yr
Unbilled unmetered:	<input type="text" value="10"/>	<input type="text" value="10.181"/>	MG/Yr
AUTHORIZED CONSUMPTION:		81.336	MG/Yr

Click here: [?](#) for help using option buttons below

Pcnt: Value:

Use buttons to select percentage of water supplied OR value

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

Apparent Losses

Unauthorized consumption: MG/Yr
 Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	<input type="text" value="3"/>	<input type="text" value="3.745"/>	MG/Yr
Systematic data handling errors:	<input type="text" value="8"/>	<input type="text" value="0.752"/>	MG/Yr

Pcnt: Value:

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

Apparent Losses: MG/Yr

Real Losses (Current Annual Real Losses or CARL)

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

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	<input type="text" value="6"/>	<input type="text" value="70.0"/>	miles
Number of active AND inactive service connections:	<input type="text" value="3"/>	<input type="text" value="1,431"/>	
Connection density:	<input type="text" value="20"/>	<input type="text" value="20"/>	conn./mile main
Average length of customer service line:	<input type="text" value="6"/>	<input type="text" value="25.0"/>	ft (pipe length between curbstop and customer meter or property boundary)
Average operating pressure:	<input type="text" value="2"/>	<input type="text" value="65.0"/>	psi

COST DATA

Total annual cost of operating water system:	<input type="text" value="10"/>	<input type="text" value="\$668,662"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="text" value="9"/>	<input type="text" value="\$10.04"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="text" value="8"/>	<input type="text" value="\$1,260.00"/>	\$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	<input type="text" value="44.5%"/>
Non-revenue water as percent by cost of operating system:	<input type="text" value="15.5%"/>
Annual cost of Apparent Losses:	<input type="text" value="\$47,907"/>
Annual cost of Real Losses:	<input type="text" value="\$29,924"/>

Operational Efficiency Indicators

Apparent Losses per service connection per day:	<input type="text" value="9.14"/>	gallons/connection/day
Real Losses per service connection per day*:	<input type="text" value="N/A"/>	gallons/connection/day
Real Losses per length of main per day*:	<input type="text" value="929.52"/>	gallons/mile/day
Real Losses per service connection per day per psi pressure:	<input type="text" value="15.28"/>	gallons/connection/day/psi
Unavoidable Annual Real Losses (UARL):	<input type="text" value="15.28"/>	million gallons/year
From Above, Real Losses = Current Annual Real Losses (CARL):	<input type="text" value="23.75"/>	million gallons/year
Infrastructure Leakage Index (ILI) [CARL/UARL]:	<input type="text" value="1.55"/>	

* only the most applicable of these two indicators will be calculated

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 69 out of 100 *****

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

PRIORITY AREAS FOR ATTENTION:

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

- 1: Volume from own sources
- 2: Master meter error adjustment
- 3: Customer metering inaccuracies

[For more information, click here to see the Grading Matrix worksheet](#)

TOWN OF ENGLEWOOD, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2013

Tony Hawn, Mayor
Wes Atwell, Commissioner
Jeanie Nichols, Commissioner
Alan Phillips, Commissioner
Jerry Shirk, Commissioner
Jamie Moses, Town Manager
Nichole Johnson, City Recorder
Sondra Denton, CMFO

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, business-type activities and each major fund of Town of Englewood, Tennessee as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Englewood, Tennessee's basic financial statements, and have issued our report thereon dated December 6, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings, recommendations, and management responses as 2013-A-1 and 2013-A-2, that we consider to be significant deficiencies.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

December 6, 2013

TOWN OF ENGLEWOOD, TENNESSEE

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

Year Ended June 30, 2013

Finding Number 2013-A-1 – Financial Oversight

Finding: A journal entry was recorded incorrectly that overstated miscellaneous revenue in the general fund by \$152,610 and was not detected or corrected by management or the Mayor and Board of Commissioners during the year ended June 30, 2013.

Recommendation: Both management and the Mayor and Board of Commissioners should review the financial statements on a monthly basis in order to provide adequate oversight of the financial reporting process and to detect and correct material misstatements in a timely manner.

Management's Response: We concur. We will review all journal entries in a timely manner and document management approval for all journal entries in the future.

Finding Number 2013-A-2 – Competitive Bidding

Comment: Management did not follow the bid process specified in T.C.A. sections 6-56-301 through 6-56-306. A backhoe was purchased for \$77,147 without publically soliciting bids from vendors.

Recommendation: Management should follow the bid process specified in T.C.A. sections 6-56-301 through 6-56-306, requiring obtaining bids for all-non emergency goods and services in excess of \$10,000.

Management's Response: We agree. We will ensure that all future purchases that require competitive bidding will be done in accordance with policy.