

Financial Statements

TOWN OF ENGLEWOOD, TENNESSEE

Year Ended June 30, 2012

TABLE OF CONTENTS

	<u>Page Nos.</u>
INDEPENDENT ACCOUNTANTS' AUDIT REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-9
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11-12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds	15-16
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - General Fund	18-25
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - Drug Fund	26
Statement of Net Assets - Proprietary Funds	27
Statement of Revenue, Expenses and Changes in Net Assets - Proprietary Funds	28-29
Statement of Cash Flows - Proprietary Funds	30-31

TABLE OF CONTENTS
(continued)

	<u>Page Nos.</u>
Notes to the Financial Statements	32-48
SUPPLEMENTARY INFORMATION	
Revenue and Expenditures – Solid Waste Activities	49
Investments	50
Property Taxes Receivable	51
Long-Term Debt Requirements	52-56
Expenditures of Federal and State Awards	57
Insurance Coverage	58
Utility Rates and Metered Customers	59
Water Utility Reporting Worksheet	60
Principal Officials	61
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 <i>Government Auditing Standards</i>	62-63

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

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

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, 2012, which collectively comprise Town of Englewood, Tennessee's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Englewood, Tennessee's management. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of Town of Englewood, Tennessee as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Drug Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 9 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.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Town of Englewood, Tennessee's financial statements as a whole. The accompanying supplementary information is presented for the purpose of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The schedules of insurance coverage, 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 financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2013 on our consideration of Town of Englewood, Tennessee's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

January 14, 2013

TOWN OF ENGLEWOOD
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Management's Discussion and Analysis For the Year Ended June 30, 2012

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, 2012. 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 of Englewood Primary Government were more than its liabilities at year-end 2012 by \$5,827,305 (\$5,965,401 in 2011).
- The Town of Englewood Primary Government's net assets decreased by \$138,097 (\$11,700 in 2011) or 2.0 percent during 2012 (0.2 percent during 2011).
- At 2012 year-end, the Town's governmental funds reported combined ending fund balances of \$605,042 an decrease of \$123,561 for 2012. At 2011 year-end, the Town's governmental funds reported combined ending fund balances of \$728,604 an increase of \$67,066 for 2011. Of the total fund balances, \$545,879 (\$649,837 in 2011) is unassigned and available for ongoing operations.
- At June 30, 2012 the unassigned General Fund Balance was \$545,879 (\$649,837 in 2011) or 61 percent (89 percent in 2011) 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's basic financial statements. The Town's basic financial statements are comprised of four 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 assets* presents information on all the Town's assets and liabilities with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the Town 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 10 to 12 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. Town of Englewood, 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 fund balance sheet and the governmental fund 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 fund balance sheets and in the governmental fund statement of revenue, expenditures and changes in fund balances for the General Fund and the Drug Fund, all of which are considered to be major funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for all major funds and are presented on pages 18 to 26.

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 government-wide and fund financial statements. The proprietary fund financial statements are presented on pages 27 to 31 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 controls and compliance.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. The Town’s assets exceeded its liabilities by \$5,827,305 (\$5,965,401 in 2011).

By far, the largest portion of the Town’s net assets reflects its investment in capital assets (e.g., land, buildings, water facilities, machinery and equipment), less any related debt used to acquire those assets that are 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 assets consisted of the following:

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets	\$ 1,528,744	\$ 1,640,188
Capital assets, net of accumulated depreciation	<u>5,644,060</u>	<u>5,725,925</u>
Total Assets	<u>\$ 7,172,804</u>	<u>\$ 7,336,113</u>

LIABILITIES

Current liabilities	\$ 392,630	\$ 395,945
Non-current liabilities	<u>952,871</u>	<u>1,004,771</u>
Total Liabilities	1,345,501	1,400,716

NET ASSETS

Invested in capital assets, net of related debt	4,639,289	4,666,460
Restricted	37,143	190,674
Unrestricted	<u>1,150,874</u>	<u>1,108,267</u>
Total Net Assets	<u>5,827,305</u>	<u>5,965,401</u>

Total Liabilities and Net Assets **\$7,172,804** **\$7,366,113**

A portion of the Town's net assets represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets 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>2012</u>	<u>2011</u>
REVENUE		
Program revenue:		
Fees, fines and charges for services	\$ 1,069,139	\$ 1,142,128
Operating grants and contributions	56,490	64,249
General revenue:		
Local taxes	298,710	291,840
State and federal	135,563	139,844
Miscellaneous	19,454	36,574
Investment income	<u>9,771</u>	<u>9,695</u>
	<u>1,589,127</u>	<u>1,684,328</u>
EXPENSES		
General government	191,253	196,291
Public safety	335,913	295,620
Highways and streets	147,847	83,250
Solid waste collection and disposal	63,421	54,483
Interest on long-term debt	2,200	3,219
Public welfare	80,836	73,778
Natural gas	149,426	201,861
Water and sewer	<u>756,327</u>	<u>764,128</u>
	<u>1,727,223</u>	<u>1,672,630</u>
(Decrease)Increase in net assets	(138,097)	11,700
Net assets at the beginning of the year	<u>5,965,401</u>	<u>5,953,701</u>
Net assets at the end of the year	<u>\$ 5,827,305</u>	<u>\$ 5,965,401</u>

Governmental Activities - Governmental activities decreased the Town's net assets by \$30,285 (increased by \$107,910 in 2011).

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 decreased the Town's net assets by \$107,812 in 2012 and decreased the Town's net assets by \$96,210 in 2011. This decrease was mainly due to continued sewer improvements. The Water and Sewer Fund reported a decrease of \$109,509 in 2012 and a decrease of \$118,606 in 2011 and the Natural Gas Fund reported an increase of \$1,697 in 2012 and \$22,396 in 2011.

Capital Assets

The Town's investment in capital assets as of June 30, 2012 was \$5,644,060 (\$5,725,925 in 2011) net of accumulated depreciation.

	<u>2012</u>	<u>2011</u>
Land	\$ 146,709	\$ 146,709
Buildings	462,627	462,627
Utility Plant	6,619,170	4,023,353
Office equipment	16,366	18,067
Equipment	1,422,528	4,029,587
Vehicles	465,555	323,077
Land improvements	70,732	70,732
Accumulated depreciation	<u>(3,559,628)</u>	<u>(3,346,526)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 5,644,060</u>	<u>\$ 5,725,925</u>

The major capital asset additions during 2012 were due to the following:

Equipment	\$ 11,259
Vehicles	142,478

Debt Administration

At June 30, 2012, the proprietary funds had outstanding debt of \$838,232 (\$874,245 in 2011) consisting of the following:

	<u>2012</u>	<u>2011</u>
Water and Sewer Revenue Bonds	\$ 486,093	\$ 495,347
Tennessee Municipal Bond Fund Capital Outlay notes	179,553	195,117
State Revolving Fund loan	<u>172,586</u>	<u>183,782</u>
Total Debt-Principal	838,232	874,245
Less: Current Portion Due	<u>(36,983)</u>	<u>(36,014)</u>
Total Long-term Debt-Principal	<u>\$ 801,249</u>	<u>\$ 838,232</u>

During 2012 the Town retired \$36,014 (\$35,067 in 2011) on its proprietary funds debt.

At June 30, 2012, the General Fund had outstanding debt of \$166,541(\$185,220 in 2011) consisting of the following:

	<u>2012</u>	<u>2011</u>
Capital outlay notes	\$ 166,541	\$ 185,220
Less: Current Portion Due	<u>(14,917)</u>	<u>(18,680)</u>
Total Long-term Debt-Principal	<u>\$ 151,624</u>	<u>\$ 166,540</u>

During 2012 the Town retired \$18,680 (\$23,819 in 2011) on its General Fund debt.

The Natural Gas Bond Series 2001 is paid by the General Fund, Water and Sewer Fund and the Gas Fund due to the three funds using the funds for various uses. The General Fund used a portion of the funds to build the Municipal Building which houses the community center, library and fire department. The Water and Sewer Fund and Gas Fund used the remaining portion of the funds to reroute the water, sewer and natural gas lines when Highway 411 was reconstructed. A detailed schedule of the payment per fund may be obtained from the City 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 \$8,699 in 2012 and increased by \$54,499 in 2011.

During the year ended June 30, 2011 Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective. This statement establishes standards for fund balance classifications for state and local governments. Additional information on this statement can be found in Note B to the financial statements. As a result of this, the Solid Waste Management Fund was reclassified from a Special Revenue fund to being combined with the General Fund.

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

The unrestricted net assets for the Water and Sewer Fund were \$243,424 (\$229,999 in 2011). The unrestricted net assets for the Natural Gas Fund were \$304,338 (\$299,062 in 2011).

General Fund Budgetary Highlights

During 2012, the original budget remained flat. Original budget expenditures increased by \$301,717 due to increases in budgeted expenditures for capital outlay for solid waste; roads, streets, and parking for the highways and streets; gas, oil, and grease for the police department; and repairs and maintenance for the fire department. During 2011, original budget revenue increased by \$18,345 due to increases in budgeted revenue for the state law enforcement grant and insurance recoveries. Original budget expenditures increased by \$88,868 due to increases in budgeted expenditures for repairs and maintenance for the community swimming pool. Also, there were capital purchase funds added, which were for vehicles and computer equipment.

Economic Factors and Next Year's Budgets and Rates

The Board of Commissioners approved the budget for the year ending June 30, 2013. The estimated revenues and appropriations did not vary significantly from the budget for the year ended June 30, 2012.

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 ASSETS

June 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash	\$ 350,234	\$ 307,800	\$ 658,034
Certificates of deposit	202,945	284,735	487,679
Accounts receivable, net of allowance for uncollectible accounts	0	60,740	60,740
Property taxes receivable, net of allowance for uncollectible accounts	192,625	0	192,625
Due from other governments	31,256	0	31,256
Internal balances	5,228	(5,228)	0
Taxes receivable	14,164	0	14,164
Natural gas for resale	0	62,226	62,226
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>812,189</u>	<u>4,685,163</u>	<u>5,497,351</u>
 TOTAL ASSETS	 <u><u>\$ 1,737,739</u></u>	 <u><u>\$ 5,435,065</u></u>	 <u><u>\$ 7,172,804</u></u>

See the accompanying notes to the financial statements.

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Accounts payable	\$ 682	\$ 8,874	\$ 9,556
Accrued vacation	1,466	2,327	3,793
Deferred revenue	176,069	0	176,069
Current portion of long-term debt	14,917	36,983	51,900
Customer deposits	0	151,312	151,312
Long-term debt, net of current portion	<u>151,624</u>	<u>801,248</u>	<u>952,871</u>
TOTAL LIABILITIES	344,757	1,000,744	1,345,501
NET ASSETS			
Invested in capital assets, net of related debt	752,728	3,886,561	4,639,289
Restricted for drug enforcement	37,143	0	37,143
Unrestricted	<u>603,112</u>	<u>547,762</u>	<u>1,150,874</u>
TOTAL NET ASSETS	<u>1,392,983</u>	<u>4,434,323</u>	<u>5,827,305</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,737,739</u>	<u>\$ 5,435,065</u>	<u>\$ 7,172,804</u>

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

	<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	\$ 191,253	\$ 1,425	\$ 0	\$ 0
Public safety	335,913	188,750	7,400	0
Public welfare	80,836	19,143	9,373	0
Streets and highways	147,847	0	39,717	0
Solid waste collection and disposal	63,421	60,938	0	0
Interest on long-term debt	<u>2,200</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Governmental Activities	821,470	270,256	56,490	0
Business-Type Activities:				
Water and sewer	756,327	647,412	0	0
Natural gas	<u>149,426</u>	<u>151,470</u>	<u>0</u>	<u>0</u>
Total Business-Type Activities	<u>905,752</u>	<u>798,882</u>	<u>0</u>	<u>0</u>
	<u>\$ 1,727,223</u>	<u>\$ 1,069,139</u>	<u>\$ 56,490</u>	<u>\$ 0</u>

Net (Expense)Revenue and
Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
\$ (189,828)	\$ 0	\$ (189,828)
(139,763)	0	(139,763)
(52,320)	0	(52,320)
(108,130)	0	(108,130)
(2,483)	0	(2,483)
<u>(2,200)</u>	<u>0</u>	<u>(2,200)</u>
(494,724)	0	(494,724)
0	(108,915)	(108,915)
<u>0</u>	<u>2,044</u>	<u>2,044</u>
<u>0</u>	<u>(106,870)</u>	<u>(106,870)</u>
<u>\$ (494,724)</u>	<u>\$ (106,870)</u>	<u>\$ (601,595)</u>

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2012

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

Transfers

CHANGES IN NET ASSETS

NET ASSETS AT THE BEGINNING OF THE YEAR

NET ASSETS AT THE END OF THE YEAR

See the accompanying notes to the financial statements.

Net (Expense)Revenue and
Changes In Net Assets

Governmental Activities	Business-Type Activities	Totals
\$ (494,724)	\$ (106,870)	\$ (601,595)
173,285	0	\$ 173,285
2,323	0	2,323
15,615	0	15,615
69,236	0	69,236
5,471	0	5,471
22,623	0	22,623
10,157	0	10,157
135,563	0	135,563
4,456	5,315	9,771
19,454	0	19,454
<u>458,183</u>	<u>5,315</u>	<u>463,498</u>
<u>6,257</u>	<u>(6,257)</u>	<u>0</u>
(30,285)	(107,812)	(138,097)
<u>1,423,266</u>	<u>4,542,135</u>	<u>5,965,401</u>
<u>\$ 1,392,982</u>	<u>\$ 4,434,323</u>	<u>\$ 5,827,305</u>

TOWN OF ENGLEWOOD, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2012

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 313,090	\$ 37,143	\$ 350,234
Certificate of deposit	202,945	0	202,945
Property taxes receivable, net of allowance for uncollectible accounts of \$3,000	192,625	0	192,625
Due from other governments	31,256	0	31,256
Due from other funds	5,228	0	5,228
Taxes receivable	14,164	0	14,164
Prepaid expenses	22,020	0	22,020
	<u>\$ 781,327</u>	<u>\$ 37,143</u>	<u>\$ 818,471</u>
TOTAL ASSETS			
LIABILITIES			
Accounts payable	\$ 682	\$ 0	\$ 682
Accrued vacation	1,466	0	1,466
Deferred revenue	211,281	0	211,281
	<u>213,428</u>	<u>0</u>	<u>213,428</u>
TOTAL LIABILITIES			
FUND BALANCES			
Nonspendable	22,020	0	22,020
Restricted	0	37,143	37,143
Unassigned	545,879	0	545,879
	<u>567,899</u>	<u>37,143</u>	<u>605,042</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 781,327</u>	<u>\$ 37,143</u>	<u>\$ 818,471</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 ASSETS**

June 30, 2012

Total Fund Balance - Governmental Funds	\$ 605,042
Capital assets used in governmental activities are reported in the statement of net assets; however, they are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	919,269
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.	35,213
Long-term liabilities are not due in the current period and, therefore, are not reported in the governmental funds balance sheet.	<u>(166,541)</u>
Net Assets of Governmental Activities	<u>\$ 1,392,982</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, 2012

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
REVENUE			
Taxes:			
Property tax	\$ 177,215	\$ 0	\$ 177,215
Interest and penalty	2,323	0	2,323
In-Lieu of tax payments	15,615	0	15,615
Local sales tax	69,820	0	69,820
Business tax	5,516	0	5,516
Wholesale beer tax	24,865	0	24,865
Cable TV franchise tax	10,157	0	10,157
Intergovernmental	181,944	0	181,944
Licenses and permits	700	0	700
Charges for services	79,191	0	79,191
Fines and forfeitures	179,100	9,650	188,750
Donations	9,373	0	9,373
Interest	4,344	112	4,456
Rent	13,950	0	13,950
Police auction	2,328	0	2,328
Miscellaneous	4,790	0	4,790
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	781,231	9,762	790,993

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2012

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
EXPENDITURES			
Current:			
General government	178,984	0	178,984
Public safety	302,704	8,466	311,170
Public welfare	72,344	0	72,344
Streets and highways	141,683	0	141,683
Waste management	52,954	0	52,954
Capital outlay	126,546	9,995	136,541
Debt service	20,880	0	20,880
TOTAL EXPENDITURES	<u>896,094</u>	<u>18,461</u>	<u>914,555</u>
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	(114,863)	(8,699)	(123,561)
FUND BALANCES AT THE BEGINNING OF THE YEAR, as restated	<u>682,762</u>	<u>45,842</u>	<u>728,604</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 567,899</u>	<u>\$ 37,143</u>	<u>\$ 605,042</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, 2012

(Deficiency) of Revenue Over Expenditures - Governmental Funds	\$(123,561)
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	136,540
Depreciation expense	(62,136)
Transfer of capital assets	6,257
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	18,679
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, 2011	(41,275)
Deferred taxes - June 30, 2012	<u>35,211</u>
Change in Net Assets of Governmental Activities	<u>\$ (30,285)</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, 2012

	Budget		Actual	Variance
	Original	Final		Over (Under)
REVENUE				
Taxes:				
Property tax	\$ 182,350	\$ 182,350	\$ 177,215	\$ (5,135)
Interest and penalty	3,500	3,500	2,323	(1,177)
In-Lieu of tax payments	9,800	9,800	15,615	5,815
Local sales tax	73,000	73,000	69,820	(3,180)
Business tax	5,400	5,400	5,516	116
Wholesale beer tax	28,000	28,000	24,865	(3,135)
Cable TV franchise tax	7,500	7,500	10,157	2,657
	<u>309,550</u>	<u>309,550</u>	<u>305,511</u>	<u>(4,039)</u>
Intergovernmental:				
State income tax	5,000	5,000	4,171	(829)
State beer tax	750	750	752	2
State sales tax	113,050	113,050	103,373	(9,677)
State gasoline and motor fuel tax	48,900	48,900	39,532	(9,369)
Corporate excise tax	5,000	5,000	0	(5,000)
Telecommunications tax	200	200	94	(106)
TVA In-Lieu of tax payment	21,000	21,000	23,477	2,477
City streets and transportation funds	7,000	7,000	3,145	(3,855)
Highway safety grant	0	0	5,000	5,000
State law enforcement grant	1,200	1,200	2,400	1,200
	<u>202,100</u>	<u>202,100</u>	<u>181,944</u>	<u>(20,156)</u>
Fines and forfeitures	145,792	145,792	179,100	33,308
Building and sign permits	100	100	700	600

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Charges for services:				
Community pool admittance fees	4,300	4,300	11,738	7,438
Community pool rental fees	2,000	2,000	2,515	515
Community pool concessions	1,500	1,500	3,586	2,086
Solid waste collection fees	62,000	62,000	60,938	(1,062)
Accident report charges	500	500	160	(340)
Library charges	600	600	229	(371)
Park and recreation charges	0	0	25	25
	<u>70,900</u>	<u>70,900</u>	<u>79,191</u>	<u>8,291</u>
Other revenue:				
Rent	14,100	14,100	13,950	(150)
Interest	5,260	5,260	4,344	(916)
Donations	10,000	10,000	9,373	(627)
Police auction	0	0	2,328	2,328
Miscellaneous revenue	1,550	7,467	4,790	(2,677)
	<u>30,910</u>	<u>36,827</u>	<u>34,786</u>	<u>(2,042)</u>
TOTAL REVENUE	759,352	765,269	781,231	15,962
EXPENDITURES				
Financial administration:				
Salaries and wages	35,500	35,500	33,106	(2,394)
OASDI employer's share	2,700	2,700	2,610	(90)
Retirement	1,050	1,050	1,013	(37)
Death benefit plan	150	150	154	4
Unemployment insurance	210	210	136	(74)

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Financial administration (continued):				
Travel	150	150	150	0
Gas, oil and grease	500	500	642	142
Computer equipment	1,500	1,500	1,500	0
Office supplies and materials	2,500	2,500	675	(1,825)
	<u>44,260</u>	<u>44,260</u>	<u>39,987</u>	<u>(4,273)</u>
Judicial:				
Other professional services	3,000	3,000	3,000	0
General government:				
Salaries and wages	33,500	33,500	35,849	2,349
OASDI employer's share	2,500	2,500	2,603	103
Health insurance	4,200	4,200	3,853	(347)
Retirement	1,000	1,000	778	(222)
Death benefit plan	180	180	207	27
Unemployment insurance	200	200	223	23
Employee training	1,000	1,000	967	(33)
Postage	800	800	627	(173)
Publicity, subscriptions and dues	3,600	3,600	3,868	268
Accounting and auditing services	7,500	7,500	6,584	(916)
State planning services	7,000	7,000	6,750	(250)
Other professional services	16,000	16,000	19,817	3,817
Insurance	43,000	43,000	33,740	(9,260)
Utilities	6,950	6,950	3,393	(3,557)
Telephone	4,000	4,000	2,829	(1,171)
Repair and maintenance	8,000	8,000	5,623	(2,377)
Operating supplies	2,500	2,500	2,534	34

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
General government (continued):				
Travel	800	800	886	86
Computer equipment	500	500	430	(70)
Donations	1,500	1,500	1,432	(68)
	<u>144,730</u>	<u>144,730</u>	<u>132,991</u>	<u>(11,739)</u>
Police department:				
Salaries and wages	160,100	168,300	168,193	(107)
OASDI employer's share	10,100	10,100	12,682	2,582
Health insurance	21,000	21,000	17,440	(3,560)
Retirement	3,500	3,500	3,703	203
Death benefit plan	900	900	850	(50)
Unemployment insurance	1,000	1,000	1,015	15
Employee education and training	700	700	739	39
Utilities	3,900	3,900	2,400	(1,500)
Telephone	3,000	3,000	2,611	(389)
Professional services	21,200	21,200	21,507	307
Repairs and maintenance	4,500	4,500	2,341	(2,159)
Small items of equipment	800	5,800	5,525	(275)
Supplies	1,500	1,500	1,219	(281)
Travel	100	100	50	(50)
Operating supplies	1,100	1,100	853	(247)
Clothing and uniforms	1,200	1,200	988	(212)
Gas, oil and grease	15,000	20,320	20,655	335
	<u>249,600</u>	<u>268,120</u>	<u>262,771</u>	<u>(5,348)</u>

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2012

	<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	904	(96)
Utilities	8,900	8,900	8,315	(585)
Telephone	600	600	479	(121)
Gas, oil and grease	3,000	3,000	2,026	(974)
Repairs and maintenance	5,200	18,900	17,278	(1,622)
Operating supplies	7,050	7,050	7,437	387
Insurance	1,500	1,500	1,500	0
Small items of equipment	2,000	2,000	1,995	(5)
	<u>29,250</u>	<u>42,950</u>	<u>39,932</u>	<u>(3,018)</u>
City attorney:				
Other professional services	4,500	4,500	3,006	(1,494)
Highways and streets:				
Salaries and wages	21,450	21,450	21,687	237
OASDI employer's share	1,660	1,660	1,535	(125)
Death benefit plan	180	180	42	(138)
Unemployment insurance	135	135	101	(34)
Operating supplies	1,000	1,000	1,385	385
Repairs and maintenance	2,000	2,000	778	(1,222)
Machinery equipment and parts	15,000	4,449	3,805	(644)
Gas, oil and grease	2,000	2,000	1,738	(262)
Utilities	36,000	36,000	32,921	(3,079)
Roads, streets, and parking	48,000	77,000	77,692	692
	<u>127,425</u>	<u>145,874</u>	<u>141,683</u>	<u>(4,191)</u>

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2012

	<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	16,853	2,853
OASDI employer's share	1,100	1,100	1,289	189
Unemployment insurance	85	85	218	133
Memberships and registration fees	350	350	340	(10)
Utilities	3,000	3,000	2,267	(733)
Telephone	200	200	190	(10)
Repairs and maintenance	2,000	2,260	2,256	(4)
Operating supplies	500	500	746	246
Chemical supplies	4,000	4,000	626	(3,374)
Supplies for resale	1,000	1,000	1,705	705
	<u>26,235</u>	<u>26,495</u>	<u>26,490</u>	<u>(5)</u>
Parks and recreation:				
Salaries and wages	2,300	2,300	1,651	(649)
OASDI employer's share	175	175	71	(104)
Unemployment insurance	15	15	19	4
Utilities	600	600	592	(8)
Repairs and maintenance	2,800	15,800	15,879	79
Operating supplies	500	500	251	(249)
	<u>6,390</u>	<u>19,390</u>	<u>18,464</u>	<u>(926)</u>
Library:				
Salaries and wages	13,800	13,800	13,328	(472)
OASDI employer's share	1,100	1,100	1,020	(80)
Unemployment insurance	100	100	162	62
Postage	50	50	76	26
Books, catalogues and brochures	500	591	162	(429)
Utilities	7,300	7,300	8,315	1,015

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Library (continued):				
Telephone	1,100	1,100	1,033	(67)
Accounting and auditing services	150	150	150	0
Other professional services	0	0	525	525
Repairs and maintenance	400	400	275	(125)
Operating supplies	800	800	344	(456)
Insurance	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>0</u>
	27,300	27,391	27,390	(1)
Solid waste management:				
Salaries and wages	25,488	25,488	24,962	(526)
OASDI employer's share	2,000	2,000	1,799	(201)
Unemployment insurance	150	150	343	193
Accounting and auditing services	2,500	2,500	2,500	0
Other professional services	14,000	0	98	98
Repairs and maintenance	4,000	4,000	173	(3,827)
Landfill services	0	14,000	10,322	(3,678)
Clothing and uniforms	200	200	150	(50)
Office supplies	5,622	5,622	3,997	(1,625)
Gas, oil and grease	5,000	5,000	4,610	(390)
Insurance	<u>4,500</u>	<u>4,500</u>	<u>4,000</u>	<u>(500)</u>
	63,460	63,460	52,954	(10,506)
Capital outlay:				
Highways and streets	0	4,063	4,063	0
Solid waste management	<u>0</u>	<u>232,635</u>	<u>122,483</u>	<u>(110,152)</u>
	0	236,697	126,546	(110,152)

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Debt service:				
Note principal	14,500	14,500	18,680	4,180
Interest expense	<u>7,000</u>	<u>7,000</u>	<u>2,200</u>	<u>(4,800)</u>
	<u>21,500</u>	<u>21,500</u>	<u>20,880</u>	<u>(620)</u>
TOTAL EXPENDITURES	<u>747,650</u>	<u>1,048,367</u>	<u>896,094</u>	<u>(152,273)</u>
EXCESS(DEFICIENCY) OF REVENUE OVER EXPENDITURES	11,702	(283,098)	(114,863)	168,235
FUND BALANCE AT THE BEGINNING OF THE YEAR, as restated	<u>0</u>	<u>283,098</u>	<u>682,762</u>	<u>399,664</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 11,702</u>	<u>\$ 0</u>	<u>\$ 567,899</u>	<u>\$ 567,899</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, 2012

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Drug related fines	\$ 10,340	\$ 10,340	\$ 4,215	\$ (6,125)
Drug seizure money	0	0	5,435	5,435
Miscellaneous	100	100	112	12
TOTAL REVENUE	10,440	10,440	9,762	(678)
EXPENDITURES				
Salaries and wages	2,500	2,500	2,518	18
OASDI employer's share	200	200	191	(9)
Retirement	0	0	42	42
Unemployment insurance	30	30	16	(14)
Operating supplies	760	760	219	(541)
Investigative funds	1,000	1,000	0	(1,000)
Other professional services	500	500	681	181
Repairs and maintenance	3,950	3,950	4,502	552
Travel and training	1,500	1,500	297	(1,203)
Capital outlay	0	7,400	9,995	2,595
TOTAL EXPENDITURES	10,440	17,840	18,461	621
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	0	(7,400)	(8,699)	(1,299)
FUND BALANCE AT THE BEGINNING OF THE YEAR, as restated	0	7,400	45,842	38,442
FUND BALANCE AT THE END OF THE YEAR	\$ 0	\$ 0	\$ 37,143	\$ 37,143

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2012

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 326,022	\$ 266,514	\$ 592,536
Accounts receivable, net of allowance for uncollectible accounts of \$1,420	60,740	0	60,740
Due from other funds	0	2,979	2,979
Natural gas for resale	<u>0</u>	<u>62,226</u>	<u>62,226</u>
TOTAL CURRENT ASSETS	386,763	331,718	718,481
CAPITAL ASSETS			
Land	39,372	257	39,629
Buildings	76,568	0	76,568
Utility plant	6,342,942	276,228	6,619,170
Equipment	902,896	0	902,896
Vehicles	<u>9,867</u>	<u>17,637</u>	<u>27,504</u>
	7,371,645	294,123	7,665,768
Accumulated depreciation	<u>(2,713,704)</u>	<u>(227,272)</u>	<u>(2,940,976)</u>
	<u>4,657,941</u>	<u>66,850</u>	<u>4,724,791</u>
TOTAL ASSETS	<u>\$ 5,044,704</u>	<u>\$ 398,569</u>	<u>\$ 5,443,272</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 ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 8,874	\$ 0	\$ 8,874
Accrued vacation	1,123	1,204	2,327
Customer deposits	125,134	26,176	151,311
Due to other funds	8,207	0	8,207
Current portion of long-term debt	<u>34,639</u>	<u>2,344</u>	<u>36,983</u>
TOTAL CURRENT LIABILITIES	177,977	29,725	207,702
LONG-TERM DEBT,			
net of current portion	<u>777,443</u>	<u>23,805</u>	<u>801,248</u>
TOTAL LIABILITIES	955,421	53,529	1,008,950
NET ASSETS			
Invested in capital assets, net of related debt	3,845,859	40,702	3,886,561
Unrestricted	<u>243,424</u>	<u>304,338</u>	<u>547,762</u>
	<u>4,089,283</u>	<u>345,039</u>	<u>4,434,323</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,044,704</u>	<u>\$ 398,569</u>	<u>\$ 5,443,271</u>

TOWN OF ENGLEWOOD, TENNESSEE

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

Year Ended June 30, 2012

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
OPERATING REVENUE			
Sales	\$ 621,925	\$ 149,071	\$ 770,996
Other operating revenue	<u>25,487</u>	<u>2,399</u>	<u>27,886</u>
TOTAL OPERATING REVENUE	647,412	151,470	798,882
OPERATING EXPENSES			
Purchased water/gas	86,960	73,689	160,649
Purification	169,642	0	169,642
Transmission and distribution	100,834	32,029	132,863
Sewer collection lines	5,526	0	5,526
Sewer treatment and disposal	86,514	0	86,514
Customer accounting and collection	40,655	3,737	44,392
Administrative and general expense	70,036	34,119	104,155
Depreciation	<u>168,467</u>	<u>4,999</u>	<u>173,466</u>
TOTAL OPERATING EXPENSES	<u>728,633</u>	<u>148,573</u>	<u>877,206</u>
(LOSS)INCOME FROM OPERATIONS	(81,221)	2,896	(78,324)
NONOPERATING REVENUE(EXPENSE)			
Interest income	2,211	3,104	5,315
Interest expense	(27,693)	(852)	(28,546)
Transfers	<u>(2,806)</u>	<u>(3,451)</u>	<u>(6,257)</u>
	<u>(28,288)</u>	<u>(1,199)</u>	<u>(29,487)</u>

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2012

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
CHANGES IN NET ASSETS	(109,509)	1,697	(107,812)
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>4,198,792</u>	<u>343,342</u>	<u>4,542,134</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 4,089,283</u>	<u>\$ 345,039</u>	<u>\$ 4,434,323</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended June 30, 2012

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
CASH PROVIDED(USED) BY OPERATING ACTIVITIES			
Cash received from customers	\$ 657,896	\$ 150,984	\$ 808,880
Cash paid to employees	(193,400)	(35,188)	(228,589)
Cash paid to suppliers	<u>(364,884)</u>	<u>(130,152)</u>	<u>(495,037)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	99,612	(14,357)	85,255
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments of long-term debt	(33,746)	(2,268)	(36,014)
Interest paid on debt	(27,693)	(852)	(28,546)
Acquisition of capital assets	<u>(14,592)</u>	<u>(2,604)</u>	<u>(17,196)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(76,031)	(5,724)	(81,756)
CASH PROVIDED BY INVESTING ACTIVITIES			
Interest received	<u>2,211</u>	<u>3,104</u>	<u>5,315</u>
NET INCREASE (DECREASE) IN CASH	25,791	(16,976)	8,815
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>300,229</u>	<u>283,491</u>	<u>583,721</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 326,022</u>	<u>\$ 266,514</u>	<u>\$ 592,535</u>

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2012

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
RECONCILIATION OF (LOSS)INCOME FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES			
(Loss)income from operations	\$ (81,221)	\$ 2,896	\$ (78,324)
Adjustments to reconcile (loss)income from operations to net cash provided(used) by operating activities:			
Depreciation	168,467	4,999	173,466
(Increase)decrease in:			
Accounts receivable	3,458	0	3,458
Inventory	0	(14,939)	(14,939)
Due from other funds	0	209	209
Increase(decrease) in:			
Accounts payable	4,190	(7,810)	(3,620)
Accrued vacation	(2,237)	(200)	(2,437)
Due to other funds	(69)	0	(69)
Customer deposits	7,025	486	7,511
	<u>180,834</u>	<u>(17,254)</u>	<u>163,580</u>
NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES	<u>\$ 99,612</u>	<u>\$ (14,357)</u>	<u>\$ 85,256</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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, 2012, 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 assets 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, 2012

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. 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 court for collection. Delinquent taxes filed with the court for collection are considered uncollectible and are written off.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

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, 2012.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow private-sector guidance.

Proprietary funds financial statements include a statement of net assets, a statement of revenue, expenses and changes in net assets 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 assets. The statement of revenue, expenses and changes in net assets presents increases (revenue) and decreases (expenses) in total net assets. 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.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

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.

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 asset groups:

Invested in capital assets, net of related debt

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 assets component as the unspent proceeds.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

Invested in capital assets, net of related debt at June 30, 2012 has been calculated as follows:

Governmental activities:

Capital assets	\$ 1,537,920
Accumulated depreciation	(618,652)
Principal balance on long-term debt	<u>(166,540)</u>
	<u>\$ 752,728</u>

Business-Type activities:

Water and Sewer Fund:	
Capital assets	\$ 7,371,645
Accumulated depreciation	(2,713,704)
Principal balance of bonds and notes payable	<u>(812,082)</u>
	<u>\$ 3,845,859</u>

Natural Gas Fund:	
Capital assets	\$ 294,123
Accumulated depreciation	(227,272)
Principal balance of bonds and notes payable	<u>(26,148)</u>
	<u>\$ 40,703</u>

Restricted

This category includes net assets 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 assets of the general fund are 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.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

Unrestricted

This category includes net assets that are not subject to externally imposed stipulations and that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”. Unrestricted net assets 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.

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.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

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.

Materials and supplies

Materials and supplies of the proprietary funds 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.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

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.

Property Taxes

Property taxes are levied on October 1, and are due and payable at that time. Taxes become delinquent and begin accumulating interest and penalties the following March 1, and attach as an enforceable lien on property after one year of delinquency.

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts is provided based upon historical trends. The allowance for uncollectible accounts at June 30, 2012 was as follows:

Governmental funds	\$ 3,000
Proprietary funds	1,420

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, 2012 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)	350,034	307,800	657,834
Certificates of deposit	<u>202,945</u>	<u>284,735</u>	<u>487,679</u>
Totals	<u>\$ 553,179</u>	<u>\$ 592,535</u>	<u>\$ 1,145,713</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

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.

The State of Tennessee Bank Collateral Pool is administered by the State of Tennessee. Members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional agreement, public fund accounts covered by the pool are considered to be classified as category (1) insured credit risk in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase agreements) and Reverse Repurchase Agreements*.

All cash balances of the Town at June 30, 2012 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, 2012

NOTE D – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>7/1/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>6/30/12</u>
Governmental Activities:					
<u>Capital assets not being</u>					
<u>depreciated</u>					
Land	\$ 107,080	\$ 0	\$ 0	\$ 0	\$ 107,080
<u>Capital assets being</u>					
<u>depreciated</u>					
Buildings	386,059	0	0	0	386,059
Land improvements	70,732	0	0	0	70,732
Vehicles	281,910	136,541	0	19,600	438,051
Office equipment	16,366	0	0	0	16,366
Equipment	<u>518,032</u>	<u>0</u>	<u>0</u>	<u>1,600</u>	<u>519,632</u>
	1,273,099	136,541	0	21,200	1,430,840
<u>Accumulated depreciation</u>					
Buildings	(87,743)	(9,695)	0	0	(97,438)
Land improvements	(13,241)	(3,584)	0	0	(16,826)
Vehicles	(137,062)	(21,444)	0	(14,210)	(172,716)
Office equipment	(10,777)	(1,198)	0	0	(11,975)
Equipment	<u>(292,749)</u>	<u>(26,216)</u>	<u>0</u>	<u>(733)</u>	<u>(319,699)</u>
	<u>(541,572)</u>	<u>(62,136)</u>	<u>0</u>	<u>(14,943)</u>	<u>(618,652)</u>
	<u>\$ 838,606</u>	<u>\$ 74,405</u>	<u>\$ 0</u>	<u>\$ 6,257</u>	<u>\$ 919,268</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

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

General government	\$ 12,270
Public safety	24,743
Public welfare	8,492
Streets and highways	6,164
Solid waste collection and disposal	<u>10,467</u>
	<u>\$ 62,136</u>

	<u>Balance</u> 7/1/11	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> 6/30/12
Business-Type Activities:					
Water and Sewer Fund					
<u>Capital assets not being depreciated</u>					
Land	\$ 39,372	\$ 0	\$ 0	\$ 0	\$ 39,372
<u>Capital assets being depreciated</u>					
Buildings	76,568	0	0	0	76,568
Utility plant	3,719,425	0	0	2,623,517	6,342,942
Equipment	3,516,754	11,259	0	(2,625,117)	902,896
Vehicles	<u>13,585</u>	<u>3,333</u>	<u>0</u>	<u>(7,052)</u>	<u>9,867</u>
	7,326,332	14,592	0	(8,652)	7,332,273
<u>Accumulated depreciation</u>					
Buildings	(29,954)	(1,160)	0	0	(31,114)
Utility plant	(1,271,309)	(145,429)	0	(861,515)	(2,278,253)
Equipment	(1,239,968)	(21,002)	0	862,247	(398,724)
Vehicles	<u>(9,851)</u>	<u>(876)</u>	<u>0</u>	<u>5,112</u>	<u>(5,612)</u>
	<u>(2,551,082)</u>	<u>(168,467)</u>	<u>0</u>	<u>5,844</u>	<u>(2,713,704)</u>
	<u>\$4,814,623</u>	<u>\$(153,875)</u>	<u>\$ 0</u>	<u>\$ (2,807)</u>	<u>\$ 4,657,941</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

	<u>Balance</u> <u>7/1/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>6/30/12</u>
Natural Gas Fund					
<u>Capital assets not being depreciated</u>					
Land	\$ 257	\$ 0	\$ 0	\$ 0	\$ 257
<u>Capital assets being depreciated</u>					
Utility plant	298,728	0	(22,500)	0	276,228
Vehicles	<u>27,582</u>	<u>2,604</u>	<u>0</u>	<u>(12,549)</u>	<u>17,637</u>
	326,310	2,604	(22,500)	(12,549)	293,865
<u>Accumulated depreciation</u>					
Utility plant	(240,037)	(4,173)	22,500	0	(221,708)
Vehicles	<u>(13,834)</u>	<u>(827)</u>	<u>0</u>	<u>9,098</u>	<u>(5,564)</u>
	<u>(253,871)</u>	<u>(5,000)</u>	<u>22,500</u>	<u>9,098</u>	<u>(227,272)</u>
	<u>\$ 72,696</u>	<u>\$ (2,396)</u>	<u>\$ 0</u>	<u>\$ (3,450)</u>	<u>\$ 66,850</u>

NOTE E – LONG-TERM DEBT

Long-term debt at June 30, 2012 consisted of the following:

Governmental Activities:

Natural Gas Bond, Series 2001, variable interest rate due in annual installments of varying amounts including interest through 2020	\$ 166,541
Less current maturities	<u>(14,917)</u>
	<u>\$ 151,624</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

Business-Type Activities:

Water and Sewer Revenue Bonds, Series 2001 due in monthly installments of \$2,724, including interest at 4.75%	\$ 486,093
Natural Gas Bond, Series 2001, variable interest rate due in annual installments of varying amounts, including interest through 2021	179,553
2006 State Revolving Fund Loan, interest rate of 0.00% due in monthly installments of \$933 until 2027	<u>172,586</u>
	838,232
Less current maturities	<u>(36,983)</u>
	<u>\$ 801,249</u>

Maturities of long-term debt as of June 30, 2012 are as follows:

Governmental Activities:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 14,917	\$ 5,829	\$ 20,746
2014	15,398	5,307	20,705
2015	15,880	4,768	20,648
2016	16,361	4,212	20,573
2017	17,323	3,639	20,962
2018	17,804	3,033	20,837
2019	18,286	2,410	20,696
2020	19,248	1,770	21,018
2021	19,729	1,096	20,825
2022	<u>11,594</u>	<u>406</u>	<u>12,000</u>
	<u>\$ 166,541</u>	<u>\$ 32,470</u>	<u>\$ 199,011</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

Business-Type Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 36,983	\$ 29,269	\$ 66,252
2014	37,972	28,235	66,207
2015	38,986	27,159	66,145
2016	40,021	26,043	66,064
2017	41,603	24,882	66,485
2018	42,690	23,660	66,350
2019	43,807	22,391	66,198
2020	45,470	21,074	66,544
2021	46,646	19,691	66,337
2022	38,560	18,259	56,819
2023	26,785	17,099	43,884
2024	27,542	16,342	43,884
2025	28,335	15,549	43,884
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
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	396	10	406
	<u>\$ 838,232</u>	<u>\$ 399,212</u>	<u>\$ 1,237,444</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

Changes in long-term debt for the year ended June 30, 2012 were as follows:

	<u>Balance</u> <u>7/1/11</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/12</u>	<u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Natural Gas Bond, Series 2001	\$ 180,977	\$ 0	\$ 14,436	\$ 166,541	\$ 14,917
Note payable	<u>4,244</u>	<u>0</u>	<u>4,244</u>	<u>0</u>	<u>0</u>
	<u>\$ 185,220</u>	<u>\$ 0</u>	<u>\$ 18,680</u>	<u>\$ 166,541</u>	<u>\$ 14,917</u>
<u>Business-Type Activities:</u>					
Water and Sewer Revenue Bonds, Series 2001	\$ 495,347	\$ 0	\$ 9,254	\$ 486,093	\$ 9,704
Natural Gas Bond, Series 2001	195,117	0	15,564	179,553	16,083
2006 State Revolving Fund Loan	<u>183,782</u>	<u>0</u>	<u>11,196</u>	<u>172,586</u>	<u>11,196</u>
	<u>\$ 874,246</u>	<u>\$ 0</u>	<u>\$ 36,014</u>	<u>\$ 838,232</u>	<u>\$ 36,983</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

Amounts due from and due to other funds at June 30, 2012 are summarized as follows:

<u>Due To</u>	<u>Due From</u> <u>Water and</u> <u>Sewer Fund</u>
Governmental Activities:	
General Fund	\$ 5,228
Business-Type Activities:	
Natural Gas Fund	<u>2,979</u>
	<u>\$ 8,207</u>

NOTE G - INTERFUND TRANSFERS

Amounts transferred from and to other funds at June 30, 2012 are summarized as follows:

<u>Transferred To</u>	<u>Transferred From</u>		<u>Total</u>
	<u>Water and</u> <u>Sewer Fund</u>	<u>Natural Gas</u> <u>Fund</u>	
Governmental Activities:			
General Fund	\$ 2,806	\$ 3,451	\$ 6,257

During the year ended June 30, 2012, the Town transferred fixed assets from the water and sewer fund and natural gas fund to the general fund.

NOTE H - 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, 2012 was \$9,421.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

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 - RECLASSIFICATION

During the year ended June 30, 2012, the Town reclassified certain fund balances to properly account for restriction of funds. The prior period adjustment represents a decrease in drug fund net income and net assets of \$10,000 and an offsetting increase in general fund net income and net assets of \$10,000.

SUPPLEMENTARY INFORMATION

TOWN OF ENGLEWOOD, TENNESSEE

REVENUE AND EXPENDITURES - SOLID WASTE ACTIVITIES

Year Ended June 30, 2012

REVENUE

Charges for services	\$ 60,938
Interest earned	1,554
Miscellaneous	<u>2,794</u>

TOTAL REVENUE 65,285

EXPENDITURES

Salaries and wages	\$ 24,962
OASDI employer's share	1,799
Employee benefits	343
Accounting and auditing services	2,500
Other professional services	98
Repairs and maintenance	173
Landfill services	10,322
Office supplies	3,997
Clothing and uniforms	150
Gas, oil and grease	4,610
Insurance	4,000
Capital outlay	<u>122,483</u>

TOTAL EXPENDITURES 175,437

**(DEFICIENCY) OF REVENUE
OVER EXPENDITURES** \$(110,152)

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

INVESTMENTS

June 30, 2012

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
<u>General Fund – Certificates of Deposit</u>			
Citizens Bank	1.27%	5/18/13	\$ 202,945
<u>Water and Sewer Fund – Certificate of Deposit</u>			
Citizens Bank	1.27%	5/18/13	81,791
<u>Natural Gas Fund – Certificate of Deposit</u>			
Citizens Bank	1.27%	5/18/13	<u>202,945</u>
			<u>\$ 487,680</u>

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2012

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2011</u>
2012	\$ 1.162	\$ 15,324,319	\$ 179,069	\$ 0
2011	1.162	15,324,319	178,131	178,131
2010	1.162	15,038,514	174,739	14,503
2009	1.162	15,348,718	178,367	4,681
2008	1.44	12,222,148	177,491	986
2007	1.44	12,250,553	176,408	<u>315</u>
				<u>\$ 198,617</u>

Property taxes unpaid for 2007 through 2010 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, 2012</u>
\$ 179,069	\$ 0	\$ 0	\$ 179,069
0	4,846	162,397	10,887
0	0	10,212	4,291
0	0	3,393	1,288
0	0	897	89
<u>0</u>	<u>0</u>	<u>315</u>	<u>0</u>
<u>\$ 179,069</u>	<u>\$ 4,846</u>	<u>\$ 177,215</u>	<u>\$ 195,625</u>

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2012

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
Natural Gas Bond, Series 2001			
Year ending June 30,			
2013	\$ 14,917	\$ 5,829	\$ 20,746
2014	15,398	5,307	20,705
2015	15,880	4,768	20,648
2016	16,361	4,212	20,573
2017	17,323	3,639	20,962
2018	17,804	3,033	20,837
2019	18,286	2,410	20,696
2020	19,248	1,770	21,018
2021	19,729	1,096	20,825
2022	11,594	406	12,000
	<u>\$ 166,540</u>	<u>\$ 32,470</u>	<u>\$ 199,010</u>

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2012

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Business-Type Activities:</u>			
Water and Sewer Revenue Bonds, Series 2001			
Year ending June 30,			
2013	\$ 9,704	\$ 22,984	\$ 32,688
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
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

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2012

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Water and Sewer Revenue Bonds, Series 2001 (continued)			
Year ending June 30,			
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>\$ 486,093</u>	<u>\$ 364,200</u>	<u>\$ 850,293</u>

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2012

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2006 State Revolving Fund Loan			
Year ending June 30,			
2013	\$ 11,196	\$ 0	\$ 11,196
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
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>\$ 172,586</u>	<u>\$ 0</u>	<u>\$ 172,586</u>

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2012

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Natural Gas Bond, Series 2001			
Year ending June 30,			
2013	\$ 16,083	\$ 6,285	\$ 22,368
2014	16,601	5,722	22,323
2015	17,121	5,140	22,261
2016	17,639	4,541	22,180
2017	18,677	3,923	22,600
2018	19,195	3,270	22,465
2019	19,714	2,599	22,313
2020	20,752	1,908	22,660
2021	21,271	1,182	22,453
2022	12,499	440	12,939
	<u>\$ 179,552</u>	<u>\$ 35,010</u>	<u>\$ 214,562</u>

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2012

<u>CFDA Number</u>	<u>Project Number</u>	<u>Program Name</u>	<u>Federal Grantor/ Pass-Through Grantor</u>
20.601	K8-10-42	High Visibility Law Enforcement	U.S. Department of Transportation/ Tennessee Department of Transportation

See the accompanying independent accountants' audit report

<u>Receivable</u> <u>July 1, 2011</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable</u> <u>June 30, 2012</u>
\$ 0	\$ 5,000	\$ 5,000	\$ 0

TOWN OF ENGLEWOOD, TENNESSEE

INSURANCE COVERAGE

June 30, 2012

<u>Description</u>	<u>Amount of Coverage</u>
Property insurance - fire and extended coverage on building and contents	\$ 7,465,837
Automobile coverage	
Collision	Cash value/repair costs
Comprehensive	Cash value/repair costs
Liability insurance	
Comprehensive general	\$ 300,000
Law enforcement	700,000
Automobile	100,000
Errors and omissions (\$2,500 deductible)	1,000,000
Bonds	
Public official bond	25,000
Employee dishonesty bond	150,000
Forgery, altercation, theft, disappearance, destruction or computer fraud	150,000
Worker's compensation	
Employer liability - statutory	700,000

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

June 30, 2012

<u>WATER AND SEWER</u>	<u>Inside Town</u>	<u>Outside Town</u>
Utility Rates		
Meter Size		
3/4"-minimum monthly bill	\$ 9.51	\$ 19.02
2"-minimum monthly bill	30.36	60.72
4"-minimum monthly bill	102.91	205.82
 All over 2,500 gallons per 1,000 gallons	 4.42	 8.84

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

Number of Metered Customers

Water – 1,431
Sewer – 603

NATURAL GAS

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

Number of Metered Customers - 295

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: **Town of Englewood, Tennessee**

Reporting Year: **2012** 7/2011 - 6/2012

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="71,676.000"/>	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	<input type="text" value="n/a"/>	<input type="text"/>	MG/Yr
Water imported:	<input type="text" value="8"/>	<input type="text" value="38,311.000"/>	MG/Yr
Water exported:	<input type="text" value="n/a"/>	<input type="text"/>	MG/Yr
WATER SUPPLIED:		109,987.000	MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	<input type="text" value="1"/>	<input type="text" value="62,040.000"/>	MG/Yr
Billed unmetered:	<input type="text" value="n/a"/>	<input type="text"/>	MG/Yr
Unbilled metered:	<input type="text" value="n/a"/>	<input type="text"/>	MG/Yr
Unbilled unmetered:	<input type="text" value="7"/>	<input type="text" value="16,788.000"/>	MG/Yr
AUTHORIZED CONSUMPTION:		78,828.000	MG/Yr

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

Pcnt: Value:

Unbilled Unmetered volume entered is greater than the recommended default 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="5"/>	<input type="text" value="0.000"/>	MG/Yr
Systematic data handling errors:	<input type="text" value="5"/>	<input type="text" value="0.000"/>	MG/Yr
Apparent Losses:		274.968	

Systematic data handling errors are likely, please enter a non-zero value; otherwise grade = 5

Pcnt: Value:

Value:

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

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="40.0"/>	miles
Number of active AND inactive service connections:	<input type="text" value="3"/>	<input type="text" value="1,362"/>	
Connection density:	<input type="text" value="34"/>	<input type="text"/>	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="\$756,327"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="text"/>	<input type="text"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="text"/>	<input type="text"/>	\$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	<input type="text" value="43.6%"/>
Non-revenue water as percent by cost of operating system:	<input type="text" value="0.0%"/>
Annual cost of Apparent Losses:	<input type="text" value="\$0"/>
Annual cost of Real Losses:	<input type="text"/>

Operational Efficiency Indicators

Apparent Losses per service connection per day:	<input type="text" value="553.11"/>	gallons/connection/day
Real Losses per service connection per day*:	<input type="text" value="62,124.66"/>	gallons/connection/day
Real Losses per length of main per day*:	<input type="text" value="N/A"/>	
Real Losses per service connection per day per psi pressure:	<input type="text" value="955.76"/>	gallons/connection/day/psi

Unavoidable Annual Real Losses (UARL):

*** UARL cannot be calculated as either average pressure, number of connections or length of mains is too small: SEE UARL DEFINITION ***

From Above, Real Losses = Current Annual Real Losses (CARL):

Infrastructure Leakage Index (ILI) [CARL/UARL]:

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

WATER AUDIT DATA VALIDITY SCORE:

Add a grading value for 2 parameter(s) to enable an audit score to be calculated

PRIORITY AREAS FOR ATTENTION:

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

- 1: Billed metered
- 2: Volume from own sources
- 3: Customer retail unit cost (applied to Apparent Losses)

For more information, click here to see the Grading Matrix worksheet

TOWN OF ENGLEWOOD, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2012

	<u>Bond Amount</u>
Wes Atwell, Commissioner	N/A
Terry Hanner, Commissioner	N/A
Alan Phillips, Commissioner	N/A
Jerry Shirk, Commissioner	N/A
Tony Hawn, Mayor	N/A
Jamie Moses, Town Manager	\$10,000
Ramona Wright, City Recorder	N/A
Sondra Denton, CMFO	\$10,000

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 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, 2012, which collectively comprise Town of Englewood, Tennessee's financial statements and have issued our report thereon dated January 14, 2013. 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.

Internal Control over Financial Reporting

Management of Town of Englewood, Tennessee is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Englewood, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Town of Englewood, Tennessee's internal control over financial reporting.

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 the Town of Englewood, Tennessee's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Englewood, Tennessee's financial statements are free of 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*.

This report is intended solely for the information and use of management and governmental regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

January 14, 2013