

Financial Statements

TOWN OF ENGLEWOOD, TENNESSEE

Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page Nos.</u>
INDEPENDENT ACCOUNTANTS' AUDIT REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-10
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	11-12
Statement of Activities	13-16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds	19-20
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - General Fund	22-29
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - Drug Fund	30
Statement of Net Position - Proprietary Funds	31-32
Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds	33-34
Statement of Cash Flows - Proprietary Funds	35-36
Notes to the Financial Statements	37-52

TABLE OF CONTENTS
(continued)

	<u>Page Nos.</u>
SUPPLEMENTARY INFORMATION	
Investments	53
Property Taxes Receivable	54-55
Long-Term Debt Requirements	56-60
Changes in Long-Term Debt by Individual Issue	61-62
Utility Rates and Metered Customers	63
Water Utility Reporting Worksheet	64
Water Utility Performance Indicators	65
Principal Officials	66
Expenditures of Federal Awards	67
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>	68-69
Findings, Recommendations and Management Responses	70-71
Summary Schedule of Prior Year Findings	72
MANAGEMENT'S CORRECTIVE ACTION PLAN	
Management's Corrective Action Plan	73

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

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

Report on the Financial Statements

We were engaged to audit 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, 2019, and the related notes to the financial statements, which collectively comprise Town of Englewood, Tennessee's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 from material misstatement.

Basis for Disclaimer of Opinion

Due to material weaknesses in internal control over financial reporting, we were unable to satisfy ourselves as to the completeness of cash receipts and cash disbursements for the year ended June 30, 2019. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amounts recorded in the accompanying financial statements.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

Other Matters

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The schedules of investments, property taxes receivable, long-term debt requirements, changes in long-term debt by individual issue and expenditures of federal 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" paragraph, it is inappropriate to, and we do not, express an opinion on the supplementary information above.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2020 on our consideration of Town of Englewood, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Englewood, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Englewood, Tennessee's internal control over financial reporting and compliance.

Mitchell Emert & Hill

July 30, 2020

TOWN OF ENGLEWOOD
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Management's Discussion and Analysis For the Year Ended June 30, 2019

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, 2019. 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 Town's net position at June 30, 2019 was \$5,984,094 (\$6,167,244 in 2018).
- The Town's net position decreased by \$183,150 (\$1,964 in 2018) or 3 percent during the year ended June 30, 2019 (less than 1 percent during 2018).
- At June 30, 2019 the Town's governmental funds reported combined ending fund balances of \$609,331, a decrease of \$138,029 for the year ended June 30, 2019. At June 30, 2018 the Town's governmental funds reported combined ending fund balances of \$747,361, a decrease of \$28,169 for the year ended June 30, 2018. As of June 30, 2019 \$558,254 (\$712,886 in 2018) of governmental fund balances is unassigned and available for ongoing operations.
- At June 30, 2019 the unassigned general fund balance was \$558,254 (\$712,886 in 2018) or 52 percent (70 percent in 2018) of general fund expenditures. These unassigned fund balances demonstrate 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's basic financial statements. The Town's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, including budget comparisons, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

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

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

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

The governmental activities of the Town include the following:

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

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

The government-wide financial statements can be found on pages 11 to 16 of this report.

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

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

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

The Town maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures and changes in fund balances for the general fund and the drug fund, both of which are considered to be major funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for both major funds and are presented on pages 22 to 30.

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 fund - 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 collection 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 31 to 36 in the basic financial statements.

Notes to the Financial Statements - The notes to the financial statements 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 position may serve over time as a useful indicator of a government's financial position. At June 30, 2019 the Town's net position was \$5,984,094 (\$6,167,244 in 2018).

By far, the largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, water and sewer facilities, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services; consequently, these assets are *not* available for future spending.

Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate long-term debt.

At June 30 the Town's statement of net position consisted of the following:

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets	\$ 2,376,632	\$ 2,351,493
Capital assets, net of accumulated depreciation	<u>5,120,798</u>	<u>5,359,203</u>
	<u>\$ 7,497,430</u>	<u>\$ 7,710,697</u>
LIABILITIES		
Current liabilities	\$ 251,036	\$ 205,312
Noncurrent liabilities	<u>1,037,568</u>	<u>1,114,240</u>
	<u>1,288,604</u>	<u>1,319,552</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	224,731	223,900
NET POSITION		
Net investment in capital assets	3,994,294	4,146,221
Restricted	18,082	17,862
Unrestricted	<u>1,971,717</u>	<u>2,003,161</u>
	<u>5,984,094</u>	<u>6,167,244</u>
	<u>\$ 7,497,430</u>	<u>\$ 7,710,697</u>

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

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

	<u>2019</u>	<u>2018</u>
REVENUE		
Program Revenue:		
Fees, fines and charges for services	\$ 1,496,412	\$ 1,535,459
Operating grants and contributions	75,146	58,644
Capital grants and contributions	15,871	13,057
General Revenue:		
Local taxes	356,079	380,036
Intergovernmental	170,420	160,125
Interest income	3,289	418
Proceeds from sale of capital assets	25,000	0
Miscellaneous	<u>6,965</u>	<u>7,691</u>
	<u>2,149,182</u>	<u>2,155,430</u>

	<u>2019</u>	<u>2018</u>
EXPENSES		
General government	308,664	253,811
Public safety	442,479	465,429
Public welfare	149,179	96,387
Streets and highways	123,156	122,313
Solid waste collection and disposal	83,347	78,075
Interest on long-term debt	5,475	3,300
Natural gas	100,310	236,185
Water and sewer	<u>1,119,723</u>	<u>901,896</u>
	<u>2,332,332</u>	<u>2,157,396</u>
(Decrease)increase in net position	(183,150)	(1,964)
Net position at the beginning of the year	<u>6,167,244</u>	<u>6,169,213</u>
Net position at the end of the year	<u>\$ 5,984,094</u>	<u>\$ 6,167,244</u>

Governmental Activities - For the year ended June 30, 2019, governmental activities decreased the Town's net position by \$180,316 (decreased \$83,794 in 2018).

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

Business-Type Activities - For the year ended June 30, 2019, business-type activities decreased the Town's net position by \$2,834 (increased \$81,830 in 2018). For the year ended June 30, 2019, the water and sewer fund reported net loss of \$90,338 and the natural gas fund reported net income of \$87,504.

Capital Assets

The Town's investment in capital assets as of June 30, 2019 was \$5,120,798 (\$5,359,203 in 2018) net of accumulated depreciation.

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 364,981	\$ 364,981
Buildings	541,274	512,774
Utility plant	8,330,395	8,330,395
Office equipment	15,261	15,261
Equipment	561,892	556,395
Vehicles	481,974	493,066
Accumulated depreciation	<u>(5,174,979)</u>	<u>(4,913,668)</u>
	<u>\$ 5,120,798</u>	<u>\$ 5,359,203</u>

The major capital asset additions during the year ended June 30, 2019 were as follows:

Buildings	\$ 28,500
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Additional information on capital assets can be found in Note E to the financial statements.

Debt Administration

At June 30, 2019 the Town's proprietary funds had outstanding debt of \$949,736 (\$1,096,375 in 2018) consisting of the following:

	<u>2019</u>	<u>2018</u>
Revenue bonds	\$ 407,434	\$ 420,330
Capital outlay notes	63,627	63,627
State Revolving Fund loans	<u>547,546</u>	<u>612,418</u>
Total debt-principal	1,018,607	1,096,375
Less: current portion due	<u>(68,871)</u>	<u>(59,352)</u>
 Total long-term debt-principal	 <u>\$ 949,736</u>	 <u>\$ 1,037,023</u>

During the year ended June 30, 2019, the Town retired \$50,768 (\$58,467 in 2018) of its proprietary funds debt.

At June 30, 2019 the Town's governmental funds had outstanding debt of \$80,897 (\$116,606 in 2018) consisting of the following:

	<u>2019</u>	<u>2018</u>
Capital outlay notes	\$ 80,897	\$ 116,606
Less: current portion due	<u>(20,064)</u>	<u>(39,389)</u>
 Total long-term debt-principal	 <u>\$ 60,833</u>	 <u>\$ 77,217</u>

During the year ended June 30, 2019, the Town retired \$35,710 (\$15,446 in 2018) of its governmental funds debt.

Additional information on debt can be found in Note F 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 fund financial statements 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 \$138,249 during the year ended June 30, 2019 (\$3,487 in 2018).

Proprietary Funds - The Town's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position for the water and sewer fund was \$1,054,122 for the year ended June 30, 2019 (\$1,092,434 in 2018). The unrestricted net position for the natural gas fund was \$242,974 for the year ended June 30, 2019 (\$153,546 in 2018).

Budgetary Highlights

During the year ended June 30, 2019, final budgeted revenue and expenditures of the drug fund did not change from the original budgeted revenue and expenditures.

During the year ended June 30, 2019, final budgeted revenue and expenditures of the general fund did not change from the original budgeted revenue and expenditures.

Economic Factors and Next Year's Budgets and Rates

The Mayor and Board of Commissioners approved the budget for the year ending June 30, 2020. The estimated revenue and appropriations did not vary significantly from the budget for the year ended June 30, 2019. Property tax rates for the 2020 tax year are the same as the prior year.

Requests for Information

This MD&A and the 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:

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

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash	\$ 552,009	\$ 1,143,248	\$ 1,695,258
Certificates of deposit	51,895	0	51,895
Accounts receivable, net of allowance for uncollectible accounts	0	145,230	145,230
Property taxes receivable, net of allowance for uncollectible accounts	282,259	0	282,259
Overpaid sales tax receivable	0	41,563	41,563
Other receivables	3,514	0	3,514
Due from other governments	35,641	0	35,641
Taxes receivable	18,523	0	18,523
Internal balances	515	(515)	0
Natural gas for resale	0	41,990	41,990
Prepaid expenses	32,995	27,763	60,758
Capital assets not being depreciated	107,080	39,629	146,709
Capital assets being depreciated, net of accumulated depreciation	<u>590,435</u>	<u>4,383,654</u>	<u>4,974,089</u>
	<u><u>\$ 1,674,866</u></u>	<u><u>\$ 5,822,563</u></u>	<u><u>\$ 7,497,430</u></u>

See the accompanying notes to the financial statements.

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Accounts payable	\$ 55,734	\$ 65,236	\$ 120,970
Accrued vacation	3,628	9,863	13,491
Current portion of long-term debt	20,064	68,871	88,935
Customer deposits	555	27,085	27,640
Long-term debt, net of current portion	<u>60,832</u>	<u>976,736</u>	<u>1,037,568</u>
	140,813	1,147,791	1,288,604
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	224,731	0	224,731
NET POSITION			
Net investment in capital assets	616,619	3,377,675	3,994,294
Restricted:			
Drug enforcement	18,082	0	18,082
Unrestricted	<u>674,621</u>	<u>1,297,096</u>	<u>1,971,717</u>
	<u>1,309,322</u>	<u>4,674,772</u>	<u>5,984,094</u>
	<u>\$ 1,674,866</u>	<u>\$ 5,822,563</u>	<u>\$ 7,497,430</u>

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

		Program Revenue		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 308,664	\$ 372	\$ 0	\$ 0
Public safety	442,479	215,380	0	0
Public welfare	149,179	17,965	17,365	0
Streets and highways	123,156	0	57,227	0
Solid waste collection and disposal	83,347	63,769	0	0
Interest on long-term debt	5,475	0	0	0
Total governmental activities	1,112,299	297,486	74,592	0
Business-Type Activities:				
Water and sewer	1,119,723	1,011,306	0	15,871
Natural gas	100,310	187,620	0	0
Total business-type activities	1,220,033	1,198,926	0	15,871
	<u>\$ 2,332,332</u>	<u>\$ 1,496,412</u>	<u>\$ 74,592</u>	<u>\$ 15,871</u>

See the accompanying notes to the financial statements.

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (308,292)	\$ 0	\$ (308,292)
(227,099)	0	(227,099)
(113,849)	0	(113,849)
(65,929)	0	(65,929)
(19,578)	0	(19,578)
(5,475)	0	(5,475)
(740,221)	0	(740,221)
0	(92,546)	(92,546)
0	87,310	87,310
0	(5,236)	(5,236)
<u>\$ (740,221)</u>	<u>\$ (5,236)</u>	<u>\$ (745,457)</u>

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2019

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 income

Miscellaneous

Total general revenue

CHANGES IN NET POSITION

NET POSITION AT THE BEGINNING OF THE YEAR

NET POSITION AT THE END OF THE YEAR

Net (Expense)Revenue and Changes In Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (740,221)	\$ (5,236)	\$ (745,457)
221,486	0	221,486
4,087	0	4,087
3,487	0	3,487
87,953	0	87,953
8,964	0	8,964
26,543	0	26,543
3,719	0	3,719
170,814	0	170,814
887	2,402	3,289
31,965	0	31,965
<u>559,905</u>	<u>2,402</u>	<u>562,307</u>
(180,316)	(2,834)	(183,150)
<u>1,489,638</u>	<u>4,677,606</u>	<u>6,167,244</u>
<u>\$ 1,309,322</u>	<u>\$ 4,674,772</u>	<u>\$ 5,984,094</u>

TOWN OF ENGLEWOOD, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2019

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 533,928	\$ 18,082	\$ 552,010
Certificates of deposit	51,895	0	51,895
Property taxes receivable, net of allowance for uncollectible accounts of \$5,000	282,259	0	282,259
Taxes receivable	18,523	0	18,523
Other receivable	3,514	0	3,514
Due from other funds	515	0	515
Due from other governments	35,641	0	35,641
Prepaid expenses	<u>32,995</u>	<u>0</u>	<u>32,995</u>
	<u><u>\$ 959,270</u></u>	<u><u>\$ 18,082</u></u>	<u><u>\$ 977,352</u></u>
LIABILITIES			
Accounts payable	\$ 55,733	\$ 0	\$ 55,733
Customer deposits	555	0	555
Accrued vacation	<u>3,628</u>	<u>0</u>	<u>3,628</u>
	59,916	0	59,916
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	282,259	0	282,259
Deferred state shared and local taxes	<u>25,846</u>	<u>0</u>	<u>25,846</u>
	308,105	0	308,105
FUND BALANCES			
Nonspendable	32,995	0	32,995
Restricted	0	18,082	18,082
Unassigned	<u>558,254</u>	<u>0</u>	<u>558,254</u>
	<u>591,249</u>	<u>18,082</u>	<u>609,331</u>
	<u><u>\$ 959,270</u></u>	<u><u>\$ 18,082</u></u>	<u><u>\$ 977,352</u></u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

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

June 30, 2019

Total Fund Balance - Governmental Funds	\$ 609,331
Capital assets used in governmental activities are reported in the statement of net position; however, they are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	697,515
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.	83,374
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	<u>(80,896)</u>
Net Position of Governmental Activities	<u>\$ 1,309,322</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, 2019

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
REVENUE			
Taxes:			
Property tax	\$ 230,752	\$ 0	\$ 230,752
Interest and penalty	4,087	0	4,087
In-Lieu of tax payments	3,487	0	3,487
Local sales tax	87,365	0	87,365
Business tax	8,653	0	8,653
Wholesale beer tax	26,543	0	26,543
Cable TV franchise tax	3,719	0	3,719
Intergovernmental	227,087	0	227,087
Fines and forfeitures	213,949	1,431	215,380
Licenses and permits	350	0	350
Charges for services	81,756	0	81,756
Interest	865	22	887
Donations	13,613	0	13,613
Miscellaneous	<u>6,965</u>	<u>0</u>	<u>6,965</u>
TOTAL REVENUE	909,191	1,453	910,644
EXPENDITURES			
Current:			
General government	291,007	0	291,007
Public safety	412,089	1,233	413,322
Public welfare	137,403	0	137,403
Streets and highways	117,622	0	117,622
Solid waste management	67,637	0	67,637
Capital outlay	5,497	0	5,497
Debt service	<u>41,185</u>	<u>0</u>	<u>41,185</u>
TOTAL EXPENDITURES	<u>1,072,440</u>	<u>1,233</u>	<u>1,073,673</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	General Fund	Drug Fund	Totals
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES	(163,249)	220	(163,029)
OTHER FINANCING SOURCES			
Proceeds from sale of capital assets	<u>25,000</u>	<u>0</u>	<u>25,000</u>
(DEFICIENCY) EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES	(138,249)	220	(138,029)
FUND BALANCES AT THE BEGINNING OF THE YEAR	<u>729,499</u>	<u>17,862</u>	<u>747,361</u>
FUND BALANCES AT THE END OF THE YEAR	<u><u>\$ 591,249</u></u>	<u><u>\$ 18,082</u></u>	<u><u>\$ 609,331</u></u>

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, 2019

(Deficiency) of Revenue and Other Financing Sources Over Expenditures - Governmental Funds	\$ (138,029)
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	5,497
Depreciation expense	(79,832)
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 tax revenue - June 30, 2018	(87,033)
Deferred tax revenue - June 30, 2019	83,374
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	<u>35,710</u>
Change in Net Position of Governmental Activities	<u>\$ (180,316)</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, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Taxes:				
Property tax	\$ 234,490	\$ 234,490	\$ 230,752	\$ (3,738)
Interest and penalty	2,652	2,652	4,087	1,435
In-Lieu of tax payments	16,624	16,624	3,487	(13,137)
Local sales tax	80,766	80,766	87,365	6,599
Business tax	7,430	7,430	8,653	1,223
Wholesale beer tax	26,050	26,050	26,543	493
Cable TV franchise tax	15,671	15,671	3,719	(11,952)
	<u>383,683</u>	<u>383,683</u>	<u>364,606</u>	<u>(19,077)</u>
Intergovernmental:				
State income tax	4,521	4,521	4,649	128
State beer tax	345	345	709	364
State sales tax	128,814	128,814	135,375	6,561
State gasoline and motor fuel tax	46,740	46,740	55,740	9,000
Corporate excise tax	3,475	3,475	2,425	(1,050)
Telecommunications tax	135	135	2,062	1,927
T.V.A. In-Lieu of tax payment	19,624	19,624	19,334	(290)
City streets and transportation funds	3,096	3,096	3,042	(54)
FEMA grant	0	0	3,752	3,752
Highway safety grant	5,000	5,000	0	(5,000)
	<u>211,750</u>	<u>211,750</u>	<u>227,087</u>	<u>15,338</u>
Fines and forfeitures	325,052	325,052	213,949	(111,103)
Licenses and permits	500	500	350	(150)

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

(continued)

Year Ended June 30, 2019

	Budget		Actual	Variance Over (Under)
	Original	Final		
Charges for services:				
Community pool admittance fees	9,960	9,960	9,602	(358)
Community pool rental fees	2,150	2,150	4,143	1,993
Community pool concessions	1,614	1,614	2,717	1,103
Solid waste collection fees	62,100	62,100	63,769	1,669
Accident report charges	18	18	22	4
Library charges	600	600	477	(123)
Parks and recreation charges	1,390	1,390	1,025	(365)
	<u>77,832</u>	<u>77,832</u>	<u>81,756</u>	<u>3,923</u>
Other revenue:				
Interest	797	797	865	68
Donations	12,153	12,153	13,613	1,460
Miscellaneous revenue	1,485	1,485	6,965	5,480
	<u>14,435</u>	<u>14,435</u>	<u>21,443</u>	<u>7,008</u>
TOTAL REVENUE	1,013,252	1,013,252	909,191	(104,061)
EXPENDITURES				
Financial administration:				
Salaries and wages	49,940	49,940	69,267	19,327
OASDI employer's share	3,820	3,820	3,942	122
Retirement	1,498	1,498	0	(1,498)
Health insurance	0	0	15,895	15,895
Death benefit plan	300	300	56	(244)
Unemployment insurance	350	350	5	(345)
Travel	1,500	1,500	195	(1,305)

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	Budget		Actual	Variance Over (Under)
	Original	Final		
Gas, oil and grease	500	500	4,783	4,283
Repairs and maintenance	0	0	1,595	1,595
Computer equipment	4,000	4,000	3,447	(553)
Office supplies and materials	2,000	2,000	4,722	2,722
	<u>63,908</u>	<u>63,908</u>	<u>103,906</u>	<u>39,999</u>
General government:				
Salaries and wages	43,329	43,329	38,500	(4,829)
OASDI employer's share	3,315	3,315	4,884	1,569
Health insurance	11,614	11,614	3,768	(7,846)
Death benefit plan	300	300	73	(227)
Employee training	2,000	2,000	2,847	847
Postage	3,250	3,250	579	(2,671)
Publicity, subscriptions and dues	4,200	4,200	1,734	(2,466)
Accounting and auditing services	7,500	7,500	23	(7,477)
State planning services	8,500	8,500	0	(8,500)
Other professional services	36,000	36,000	48,724	12,724
Insurance	61,508	61,508	55,567	(5,941)
Utilities	5,200	5,200	4,572	(628)
Telephone	3,000	3,000	6,247	3,247
Repairs and maintenance	1,700	1,700	5,131	3,431
Retirement	1,300	1,300	0	(1,300)
Operating supplies	2,500	2,500	4,331	1,831
Weather alert system	500	500	0	(500)
Miscellaneous	0	0	541	541
Travel	1,150	1,150	680	(470)
	<u>196,866</u>	<u>196,866</u>	<u>178,200</u>	<u>(18,665)</u>

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Police department:				
Salaries and wages	245,430	245,430	235,498	(9,932)
OASDI employer's share	18,775	18,775	17,468	(1,307)
Health insurance	34,850	34,850	15,893	(18,957)
Death benefit plan	500	500	344	(156)
Unemployment insurance	1,700	1,700	1,122	(578)
Retirement	0	0	310	310
Employee education and training	1,100	1,100	337	(763)
Utilities	1,850	1,850	2,146	296
Telephone	3,800	3,800	2,921	(879)
Professional services	37,600	37,600	37,069	(531)
Small items of equipment	11,300	11,300	35,494	24,194
Supplies	1,200	1,200	1,192	(8)
Travel	250	250	1,008	758
Vehicle rental	28,500	28,500	0	(28,500)
Operating supplies	1,600	1,600	1,069	(531)
Clothing and uniforms	3,500	3,500	2,909	(591)
Gas, oil and grease	20,000	20,000	20,513	513
	<u>411,955</u>	<u>411,955</u>	<u>375,293</u>	<u>(36,662)</u>
Fire department:				
Employee training	2,000	2,000	335	(1,665)
Volunteers	500	500	456	(44)
Utilities	9,500	9,500	1,945	(7,555)
Telephone	700	700	2,074	1,374
Dues	250	250	200	(50)
Gas, oil and grease	2,500	2,500	3,468	968
Repairs and maintenance	11,500	11,500	11,314	(186)
Operating supplies	7,550	7,550	11,584	4,034

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	Budget		Actual	Variance Over (Under)
	Original	Final		
Insurance	1,500	1,500	1,469	(31)
Small items of equipment	4,500	4,500	3,952	(548)
	<u>40,500</u>	<u>40,500</u>	<u>36,797</u>	<u>(3,703)</u>
City attorney:				
Professional services	10,800	10,800	8,900	(1,900)
Streets and highways:				
Salaries and wages	33,320	33,320	35,173	1,853
OASDI employer's share	2,549	2,549	2,606	57
Retirement	1,000	1,000	0	(1,000)
Health insurance	5,900	5,900	2,618	(3,282)
Death benefit plan	300	300	28	(272)
Unemployment insurance	200	200	150	(50)
Repairs and maintenance	11,000	11,000	9,538	(1,462)
Machinery equipment and parts	1,000	1,000	1,950	950
Gas, oil and grease	1,000	1,000	5,864	4,864
Utilities	30,000	30,000	37,166	7,166
Other operating supplies	0	0	271	271
Roads, streets and parking	<u>35,695</u>	<u>35,695</u>	<u>22,257</u>	<u>(13,438)</u>
	<u>121,964</u>	<u>121,964</u>	<u>117,622</u>	<u>(4,343)</u>
Community swimming pool:				
Salaries and wages	15,000	15,000	18,914	3,914
OASDI employer's share	1,148	1,148	1,447	299
Unemployment insurance	300	300	170	(130)
Memberships and registration fees	2,000	2,000	340	(1,660)
Utilities	11,825	11,825	13,361	1,536
Telephone	400	400	505	105
Professional services	12,400	12,400	1,042	(11,358)
Repairs and maintenance	9,000	9,000	12,660	3,660

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	Budget		Actual	Variance Over (Under)
	Original	Final		
Operating supplies	500	500	1,324	824
Chemical supplies	2,500	2,500	6,298	3,798
Supplies for resale	1,600	1,600	2,587	987
	<u>56,673</u>	<u>56,673</u>	<u>58,648</u>	<u>1,974</u>
Parks and recreation:				
Salaries and wages	25,000	25,000	32,702	7,702
OASDI employer's share	1,913	1,913	2,499	586
Unemployment insurance	300	300	160	(140)
Utilities	1,500	1,500	2,295	795
Repairs and maintenance	5,000	12,000	13,648	1,648
Operating supplies	1,000	1,000	1,070	70
	<u>34,713</u>	<u>41,713</u>	<u>52,375</u>	<u>10,661</u>
Library:				
Salaries and wages	15,032	15,032	15,546	514
OASDI employer's share	1,150	1,150	1,189	39
Unemployment insurance	450	450	123	(327)
Books, catalogues and brochures	550	550	707	157
Utilities	5,900	5,900	1,945	(3,955)
Telephone	1,556	1,556	1,455	(101)
Accounting and auditing services	155	155	0	(155)
Other professional services	175	175	265	90
Repairs and maintenance	1,540	1,540	856	(684)
Operating supplies	390	390	461	71
Computer equipment	1,500	3,000	3,803	803
Insurance	2,000	2,000	29	(1,971)
	<u>30,398</u>	<u>31,898</u>	<u>26,380</u>	<u>(5,519)</u>

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Solid waste management:				
Other contractual services	61,500	61,500	67,062	5,562
Bank service charges	0	0	76	76
Insurance	<u>1,500</u>	<u>1,500</u>	<u>500</u>	<u>(1,000)</u>
	63,000	63,000	67,637	4,637
Capital outlay:				
General government	2,800	2,800	2,800	0
Police department	<u>1,500</u>	<u>1,500</u>	<u>2,697</u>	<u>1,197</u>
	4,300	4,300	5,497	1,197
Debt service:				
Principal	15,879	15,879	35,610	19,731
Interest expense	<u>2,560</u>	<u>2,560</u>	<u>5,575</u>	<u>3,015</u>
	<u>18,439</u>	<u>18,439</u>	<u>41,185</u>	<u>22,746</u>
TOTAL EXPENDITURES	<u>1,096,845</u>	<u>1,105,345</u>	<u>1,110,940</u>	<u>5,595</u>

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	(83,593)	(92,093)	(201,749)	(109,656)
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>25,000</u>
(DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES	(83,593)	(92,093)	(176,749)	(84,656)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>40,264</u>	<u>48,764</u>	<u>729,499</u>	<u>680,735</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ (43,329)</u>	<u>\$ (43,329)</u>	<u>\$ 552,749</u>	<u>\$ 596,078</u>

TOWN OF ENGLEWOOD, TENNESSEE

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

Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Drug related fines	\$ 8,001	\$ 8,001	\$ 1,431	\$ (6,570)
Interest	<u>0</u>	<u>0</u>	<u>22</u>	<u>22</u>
TOTAL REVENUE	<u>8,001</u>	<u>8,001</u>	<u>1,453</u>	<u>(6,548)</u>
EXPENDITURES				
Salaries and wages	7,432	7,432	493	(6,939)
OASDI employer's share	569	569	38	(531)
Health insurance	0	0	456	456
Bank service charges	0	0	75	75
Repairs and maintenance	<u>0</u>	<u>0</u>	<u>171</u>	<u>171</u>
TOTAL EXPENDITURES	<u>8,001</u>	<u>8,001</u>	<u>1,233</u>	<u>(6,768)</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>0</u>	<u>0</u>	<u>220</u>	<u>220</u>
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>17,862</u>	<u>17,862</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,082</u>	<u>\$ 18,082</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2019

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
CURRENT ASSETS			
Cash	\$ 996,988	\$ 146,260	\$ 1,143,248
Accounts receivable, net of allowance for uncollectible accounts of \$5,000	145,230	0	145,230
Overpaid sales tax receivable	41,563	0	41,563
Due from other funds	0	60,103	60,103
Natural gas for resale	0	41,990	41,990
Prepaid expense	<u>26,166</u>	<u>1,597</u>	<u>27,763</u>
	1,209,947	249,950	1,459,897
CAPITAL ASSETS			
Land	39,372	257	39,629
Buildings	125,901	0	125,901
Utility plant	8,076,660	253,735	8,330,395
Equipment	89,090	15,000	104,090
Vehicles	<u>19,774</u>	<u>40,131</u>	<u>59,905</u>
	8,350,797	309,123	8,659,920
Accumulated depreciation	<u>(3,971,650)</u>	<u>(264,988)</u>	<u>(4,236,638)</u>
	<u>4,379,147</u>	<u>44,135</u>	<u>4,423,282</u>
	<u><u>\$ 5,589,094</u></u>	<u><u>\$ 294,086</u></u>	<u><u>\$ 5,883,180</u></u>

See the accompanying notes to the financial statements.

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
CURRENT LIABILITIES			
Accounts payable	\$ 64,185	\$ 1,052	\$ 65,236
Accrued vacation	9,502	360	9,863
Customer deposits	21,519	5,566	27,085
Due to other funds	60,618	0	60,618
Current portion of long-term debt	<u>66,383</u>	<u>2,488</u>	<u>68,871</u>
	222,207	9,466	231,673
LONG-TERM DEBT, net of current portion	970,188	6,548	976,736
NET POSITION			
Net investment in capital assets	3,342,577	35,098	3,377,675
Unrestricted	<u>1,054,122</u>	<u>242,974</u>	<u>1,297,096</u>
	<u>4,396,699</u>	<u>278,073</u>	<u>4,674,772</u>
	<u>\$ 5,589,094</u>	<u>\$ 294,086</u>	<u>\$ 5,883,180</u>

TOWN OF ENGLEWOOD, TENNESSEE

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

Year Ended June 30, 2019

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
OPERATING REVENUE			
Sales	\$ 997,875	\$ 187,620	\$ 1,185,495
Other operating revenue	<u>13,431</u>	<u>0</u>	<u>13,431</u>
TOTAL OPERATING REVENUE	1,011,306	187,620	1,198,926
OPERATING EXPENSES			
Purchased water/gas	249,548	50,069	299,617
Purification	253,616	0	253,616
Transmission and distribution	144,673	29,593	174,266
Sewer collection lines	739	0	739
Sewer treatment and disposal	142,200	0	142,200
Repairs and maintenance	6,722	0	6,722
Customer accounting and collection	48,180	5,270	53,450
Administrative and general expense	53,993	12,226	66,219
Depreciation	<u>199,327</u>	<u>3,152</u>	<u>202,479</u>
TOTAL OPERATING EXPENSES	<u>1,098,998</u>	<u>100,310</u>	<u>1,199,308</u>
(LOSS)INCOME FROM OPERATIONS	(87,692)	87,310	(382)
NONOPERATING REVENUE(EXPENSE)			
Interest income	2,208	194	2,402
Interest expense	<u>(20,725)</u>	<u>0</u>	<u>(20,725)</u>
	<u>(18,517)</u>	<u>194</u>	<u>(18,323)</u>
(LOSS)INCOME BEFORE CAPITAL CONTRIBUTIONS	(106,209)	87,504	(18,705)

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
Capital contributions	<u>15,871</u>	<u>0</u>	<u>15,871</u>
CHANGES IN NET POSITION	(90,338)	87,504	(2,834)
NET POSITION AT THE BEGINNING OF THE YEAR	<u>4,487,037</u>	<u>190,569</u>	<u>4,677,606</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 4,396,699</u>	<u>\$ 278,073</u>	<u>\$ 4,674,772</u>

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended June 30, 2019

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
CASH PROVIDED(USED) BY OPERATING ACTIVITIES			
Cash received from customers	\$ 952,691	\$ 187,620	\$ 1,140,311
Cash paid to employees	(258,235)	(15,601)	(273,836)
Cash paid to suppliers	<u>(582,782)</u>	<u>(153,722)</u>	<u>(736,504)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	111,674	18,297	129,971
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(38,408)	0	(38,408)
Capital contributions	15,871	0	15,871
Principal payments on long-term debt	(50,768)	0	(50,768)
Interest paid on debt	<u>(20,725)</u>	<u>0</u>	<u>(20,725)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(94,030)	0	(94,030)
CASH PROVIDED(USED) BY INVESTING ACTIVITIES			
Interest received	<u>2,208</u>	<u>194</u>	<u>2,401</u>
NET INCREASE IN CASH	19,852	18,491	38,342
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>977,138</u>	<u>127,769</u>	<u>1,104,909</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>\$ 996,988</u></u>	<u><u>\$ 146,260</u></u>	<u><u>\$ 1,143,248</u></u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2019

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
RECONCILIATION OF INCOME(LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
(Loss)income from operations	\$ (87,692)	\$ 87,310	\$ (382)
Adjustments to reconcile (loss)income from operations to net cash provided by operating activities:			
Depreciation	199,327	3,152	202,479
(Increase)decrease in:			
Accounts receivable	(58,615)	0	(58,615)
Prepaid expense	(18,736)	903	(17,833)
Inventory	0	(7,448)	(7,448)
Due from other funds	0	(57,584)	(57,584)
Increase(decrease) in:			
Accounts payable	33,645	(5,371)	28,274
Due to other funds	52,616	0	52,616
Customer deposits	(8,871)	(2,665)	(11,536)
	<u>199,366</u>	<u>(69,013)</u>	<u>130,353</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES			
	<u>\$ 111,674</u>	<u>\$ 18,297</u>	<u>\$ 129,971</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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 the Town. As of June 30, 2019 and for the year then ended, the Town had no discretely presented component units which were required to be included in these financial statements.

Government-Wide and Fund Financial Statements

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

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

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019

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. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

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

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

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019

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 operate and maintain 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 a 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, 2019.

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

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

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019

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

Net Investment in Capital Assets

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

Net investment in capital assets at June 30, 2019 has been calculated as follows:

Governmental Activities:

Capital assets	\$ 1,635,854
Accumulated depreciation	(938,340)
Principal balance on long-term debt	<u>(80,897)</u>
	<u>\$ 616,619</u>

Business-Type Activities:

Water and Sewer Fund:

Capital assets	\$ 8,350,799
Accumulated depreciation	(3,971,651)
Principal balance on long-term debt	<u>(1,036,571)</u>
	<u>\$ 3,342,577</u>

Natural Gas Fund:

Capital assets	\$ 309,123
Accumulated depreciation	(264,989)
Principal balance on long-term debt	<u>(9,036)</u>
	<u>\$ 35,098</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019

Restricted

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

Unrestricted

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

Fund Balances

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

Nonspendable Fund Balances

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

Restricted Fund Balances

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 Balances

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

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019

Assigned Fund Balances

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.

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 estimated fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 50 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019

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 net realizable value. The cost of inventory items of the governmental fund types (primarily materials and supplies) are recorded as expenditures when purchased.

Compensated Absences

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

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

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts receivable and taxes receivable is provided based upon historical trends. The allowances for uncollectible accounts at June 30, 2019 were as follows:

Governmental funds	\$	5,000
Proprietary funds		5,000

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, 2019 were as follows:

	Governmental Activities	Business-Type Activities	Totals
Cash on hand	\$ 200	\$ 0	\$ 200
Bank deposits (checking and savings accounts)	551,809	1,143,248	1,695,057
Certificates of deposit	<u>51,895</u>	<u>0</u>	<u>51,895</u>
Totals	<u>\$ 603,904</u>	<u>\$ 1,143,248</u>	<u>\$ 1,747,152</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019

State of Tennessee law authorizes the Town to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America 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 (LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

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

All cash balances at June 30, 2019 were entirely insured through either the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

NOTE D - 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 insurance, destruction of property and employee dishonesty bonds. 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 revenue to the Town. It is not possible to estimate the amount of such additional assessments or refunds.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019

NOTE E - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 was as follows:

	<u>Balance</u> <u>7/1/18</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/19</u>
Governmental Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 107,080	\$ 0	\$ 0	\$ 107,080
<u>Capital assets being depreciated</u>				
Buildings	415,373	0	0	415,373
Land improvements	218,272	0	0	218,272
Vehicles	443,068	0	(21,000)	422,068
Office equipment	9,778	0	0	9,778
Equipment	<u>457,787</u>	<u>5,497</u>	<u>0</u>	<u>463,284</u>
	1,544,278	5,497	(21,000)	1,528,775
<u>Accumulated depreciation</u>				
Buildings	(170,429)	(12,152)	0	(182,581)
Land improvements	(49,852)	(7,826)	0	(57,678)
Vehicles	(270,805)	(37,530)	21,000	(287,335)
Office equipment	(8,520)	(503)	0	(9,023)
Equipment	<u>(379,902)</u>	<u>(21,821)</u>	<u>0</u>	<u>(401,723)</u>
	<u>(879,508)</u>	<u>(79,832)</u>	<u>21,000</u>	<u>(938,340)</u>
	<u>\$ 771,849</u>	<u>\$ (74,335)</u>	<u>\$ 0</u>	<u>\$ 697,514</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019

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

General government	\$ 17,656
Public safety	29,156
Public welfare	11,776
Streets and highways	5,533
Solid waste collection and disposal	<u>15,709</u>
	<u><u>\$ 79,832</u></u>

	<u>Balance</u> <u>7/1/18</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/19</u>
Business-Type Activities:				
Water and Sewer Fund				
<u>Capital assets not being depreciated</u>				
Land	\$ 39,372	\$ 0	\$ 0	\$ 39,372
<u>Capital assets being depreciated</u>				
Buildings	97,401	28,500	0	125,901
Utility plant	8,076,660	0	0	8,076,660
Equipment	83,608	0	0	83,608
Office equipment	5,483	0	0	5,483
Vehicles	<u>9,867</u>	<u>9,908</u>	<u>0</u>	<u>19,775</u>
	8,273,019	38,408	0	8,311,427
<u>Accumulated depreciation</u>				
Buildings	(51,123)	(4,208)	0	(55,331)
Utility plant	(3,672,510)	(186,244)	0	(3,858,754)
Equipment	(36,184)	(7,998)	0	(44,182)
Office equipment	(3,750)	(378)	0	(4,128)
Vehicles	<u>(8,756)</u>	<u>(498)</u>	<u>0</u>	<u>(9,254)</u>
	<u>(3,772,323)</u>	<u>(199,327)</u>	<u>0</u>	<u>(3,971,651)</u>
	<u>\$ 4,540,068</u>	<u>\$ (160,919)</u>	<u>\$ 0</u>	<u>\$ 4,379,149</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019

	<u>Balance</u> <u>7/1/18</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/19</u>
Natural Gas Fund				
<u>Capital assets not being depreciated</u>				
Land	\$ 257	\$ 0	\$ 0	\$ 257
<u>Capital assets being depreciated</u>				
Utility plant	253,735	0	0	253,735
Equipment	15,000	0	0	15,000
Vehicles	<u>40,131</u>	<u>0</u>	<u>0</u>	<u>40,131</u>
	308,866	0	0	308,866
<u>Accumulated depreciation</u>				
Utility plant	(223,199)	(1,391)	0	(224,590)
Equipment	(7,875)	(1,500)	0	(9,375)
Vehicles	<u>(30,763)</u>	<u>(260)</u>	<u>0</u>	<u>(31,023)</u>
	<u>(261,837)</u>	<u>(3,152)</u>	<u>0</u>	<u>(264,989)</u>
	<u>\$ 47,286</u>	<u>\$ (3,152)</u>	<u>\$ 0</u>	<u>\$ 44,134</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019

NOTE F - LONG-TERM DEBT

Long-term debt at June 30, 2019 consisted of the following:

Governmental Activities:

General Obligation Capital Outlay Note, Series 2013 due in semi-annual installments of \$2,246, including interest at 2.89% through 2025	\$ 28,097
Fire Department Capital Outlay Note due in annual varying installments at of \$12,600 in 2020 to \$13,800 in 2024, including interest at 2.970%	<u>52,800</u> 80,897
Less current maturities	<u>(20,064)</u>
	<u>\$ 60,832</u>

The ad valorem taxes levied on all taxable property within the jurisdiction are pledged for the repayment of the principal and interest maturities of the General Obligation Capital Outlay Note and Fire Department Capital Outlay Note.

Business-Type Activities:

Water and Sewer Revenue Bonds, Series 2001 due in monthly installments of \$2,724, including interest at 4.75% through 2039	\$ 407,434
General Obligation Capital Outlay Note, Series 2013 for the water and sewer fund due in semi-annual installments of \$5,240, including interest at 2.89% through 2025	54,591

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019

Business-Type Activities (continued):

General Obligation Capital Outlay Note, Series 2013 for the natural gas fund due in semi-annual installments ranging from \$1,226 to \$2,540, including interest at 2.89% through 2025	9,036
2006 State Revolving Fund Loan, interest rate of 0.00% due in monthly installments of \$933 through 2027	94,214
2016 State Revolving Fund Loan, interest rate of 0.20%, maturity date determined when project is completed	<u>480,332</u>
	1,045,607
Less current maturities	<u>(68,871)</u>
	<u>\$ 976,736</u>

The income and revenues derived from the operation of the water, sewer and natural gas system and the ad valorem taxes levied on all taxable property within the jurisdiction are pledged for the repayment of the principal and interest maturities of the General Obligation Capital Outlay Note, Water and Sewer Revenue Bonds and State Revolving Fund Loans.

Maturities of long-term debt as of June 30, 2019 are as follows:

Governmental Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 20,064	\$ 3,086	\$ 23,150
2021	16,895	1,790	18,685
2022	17,407	1,292	18,699
2023	17,923	778	18,701
2024	4,242	249	4,491
2025	<u>4,365</u>	<u>126</u>	<u>4,491</u>
	<u>\$ 80,897</u>	<u>\$ 7,320</u>	<u>\$ 88,217</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019

Business-Type Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 68,871	\$ 24,075	\$ 92,946
2021	61,247	21,221	82,468
2022	62,258	20,209	82,467
2023	63,297	19,170	82,467
2024	64,393	18,075	82,468
2025	63,587	16,947	80,534
2026	56,227	15,761	71,988
2027	57,148	14,840	71,988
2028	51,572	13,866	65,438
2029	47,934	12,858	60,792
2030	48,999	11,793	60,792
2031	50,102	10,690	60,792
2032	51,268	9,524	60,792
2033	52,487	8,305	60,792
2034	53,751	7,041	60,792
2035	55,086	5,706	60,792
2036	56,471	4,321	60,792
2037	48,772	2,437	51,209
2038	31,742	946	32,688
2039	<u>395</u>	<u>10</u>	<u>405</u>
	<u>\$ 1,045,607</u>	<u>\$ 237,795</u>	<u>\$ 1,283,402</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019

Changes in long-term debt for the year ended June 30, 2019 were as follows:

	<u>Balance</u> <u>7/1/18</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/19</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Capital Outlay Note					
Series 2013	\$ 28,097	\$ 0	\$ 0	\$ 28,097	\$ 7,464
Capital Lease	11,755	0	(11,755)	0	0
Capital Lease	11,755	0	(11,755)	0	0
Fire Department					
Capital Outlay Note	65,000	0	(12,200)	52,800	12,600
	<u>\$ 116,607</u>	<u>\$ 0</u>	<u>\$ (35,710)</u>	<u>\$ 80,897</u>	<u>\$ 20,064</u>
<u>Business-Type Activities:</u>					
Water and Sewer					
Revenue Bonds,					
Series 2001	\$ 420,330	\$ 0	\$ (12,896)	\$ 407,434	\$ 13,522
2006 State Revolving					
Fund Loan	105,410	0	(11,196)	94,214	11,196
2016 State Revolving					
Fund Loan	507,008	0	(26,676)	480,332	26,736
Capital Outlay Note,					
Series 2013	54,591	0	0	54,591	14,929
Capital Outlay Note,					
Series 2013	<u>9,036</u>	<u>0</u>	<u>0</u>	<u>9,036</u>	<u>2,488</u>
	<u>\$ 1,096,375</u>	<u>\$ 0</u>	<u>\$ (50,768)</u>	<u>\$ 1,045,607</u>	<u>\$ 68,871</u>

NOTE G - EXPENDITURES EXCEEDED APPROPRIATIONS

During the year ended June 30, 2019, expenditures exceeded appropriations in the following funds:

General fund	\$ 10,424
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TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019

NOTE H - INTERFUND BALANCES

Amounts due from and due to other funds at June 30, 2019, resulting from short-term advances for shared costs, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Water and sewer fund	Solid waste management	\$ 515
Water and sewer fund	Natural gas fund	<u>60,103</u>
		<u>\$ 60,618</u>

NOTE I - RETIREMENT PLAN

The Town provides a SIMPLE IRA retirement savings plan for employees. All employees earning at least \$5,000 in any two preceding years and expected to earn at least \$5,000 in the current year are eligible to participate in the plan. There are different options available which detail how the Town can contribute to the plan. The first option allows the Town to contribute a dollar-for-dollar match of up to 3% for each eligible employee who is contributing to the plan. The second option allows the Town to make nonelective contributions equal to 2% of each eligible employee's compensation per year. Retirement expense for the year ended June 30, 2019 was \$1,873.

NOTE J - COMMITMENT

During the year ended June 30, 2018, the Town entered into a four-year contract with the McMinn County Emergency Communications Board for dispatching services totaling \$138,962 through 2021. At June 30, 2019, \$92,642 of the commitment remained.

NOTE K - INVESTIGATIVE AUDIT

During the year ended June 30, 2019, the State of Tennessee Office of the Comptroller of the Treasury began an investigative audit of certain irregularities in the accounting records of the Town for the year ended June 30, 2019. The investigative audit is still ongoing and the State of Tennessee Office of the Comptroller of the Treasury has not released their report. Therefore, management is unable to determine what the ultimate outcome of the investigation will be, or what impact it will have on the Town's financial statements.

SUPPLEMENTARY INFORMATION

TOWN OF ENGLEWOOD, TENNESSEE

INVESTMENTS

June 30, 2019

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
<u>General Fund - Certificate of Deposit</u>			
BB&T Bank	1.50%	2/8/2021	\$ 51,895

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2019

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2018</u>
2019	\$1.440	\$17,054,811	\$224,731	\$ 0
2018	1.440	16,990,789	223,900	223,900
2017	1.440	15,424,734	222,099	26,652
2016	1.440	15,348,432	220,998	17,322
2015	1.440	15,104,072	217,481	10,475
2014	1.440	14,839,556	213,674	9,737
2013	1.250	15,046,855	188,125	3,559
2012	1.162	15,496,461	179,069	1,153
2011	1.162	15,324,319	178,131	2,495
2010	1.162	15,038,514	174,739	215
2009	1.440	12,222,148	177,491	185
				<u>\$ 295,693</u>

Property taxes unpaid for 2009 through 2017 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, 2019</u>
\$ 224,731	\$ 0	\$ 0	\$ 224,731
0	2,414	197,593	23,893
0	0	15,455	11,197
0	0	9,551	7,771
0	0	6,353	4,122
0	0	2,216	7,521
0	0	960	2,598
0	0	(624)	1,777
0	0	0	2,495
0	0	(938)	1,152
<u>0</u>	<u>0</u>	<u>185</u>	<u>0</u>
<u>\$ 224,731</u>	<u>\$ 2,414</u>	<u>\$ 230,752</u>	<u>\$ 287,257</u>

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
Capital Outlay Note, Series 2013			
Year Ending June 30,			
2020	\$ 7,464	\$ 1,518	\$ 8,982
2021	3,895	596	4,491
2022	4,007	484	4,491
2023	4,123	368	4,491
2024	4,242	249	4,491
2025	4,366	125	4,491
	<u>\$ 28,097</u>	<u>\$ 3,340</u>	<u>\$ 31,437</u>
Fire Department Capital Outlay Note			
Year Ending June 30,			
2020	\$ 12,600	\$ 1,568	\$ 14,168
2021	13,000	1,194	14,194
2022	13,400	808	14,208
2023	13,800	410	14,210
	<u>\$ 52,800</u>	<u>\$ 3,980</u>	<u>\$ 56,780</u>

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2019

	<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,			
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
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>\$ 407,434</u>	<u>\$ 214,043</u>	<u>\$ 621,477</u>

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
SRF Loan, 2006			
Year Ending June 30,			
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>\$ 94,214</u>	<u>\$ 0</u>	<u>\$ 94,214</u>

Capital Outlay Note, Series 2013

Year Ending June 30,			
2020	\$ 14,929	\$ 3,035	\$ 17,964
2021	7,790	1,193	8,983
2022	8,015	967	8,982
2023	8,246	736	8,982
2024	8,485	498	8,983
2025	7,126	252	7,378
	<u>\$ 54,591</u>	<u>\$ 6,681</u>	<u>\$ 61,272</u>

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Capital Outlay Note, Series 2013			
Year Ending June 30,			
2020	\$ 2,488	\$ 506	\$ 2,994
2021	1,298	199	1,497
2022	1,336	161	1,497
2023	1,374	123	1,497
2024	1,414	83	1,497
2025	1,125	42	1,167
	<u>\$ 9,036</u>	<u>\$ 1,114</u>	<u>\$ 10,149</u>
SRF Loan, 2016			
Year Ending June 30,			
2020	\$ 26,736	\$ 1,368	\$ 28,104
2021	26,784	1,320	28,104
2022	26,844	1,260	28,104
2023	26,892	1,212	28,104
2024	26,952	1,152	28,104
2025	27,000	1,104	28,104
2026	27,060	1,044	28,104
2027	27,108	996	28,104
2028	27,168	936	28,104
2029	27,216	888	28,104
2030	27,276	828	28,104
2031	27,324	780	28,104
2032	27,384	720	28,104
2033	27,444	660	28,104
2034	27,492	612	28,104

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
SRF Loan, 2016 (continued)			
Year Ending June 30,			
2035	27,552	552	28,104
2036	27,600	504	28,104
2037	<u>18,500</u>	<u>21</u>	<u>18,521</u>
	<u>\$ 480,332</u>	<u>\$ 15,957</u>	<u>\$ 496,289</u>

TOWN OF ENGLEWOOD, TENNESSEE

CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

June 30, 2019

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>
<u>General Fund</u>			
General Obligation Capital Outlay Note, Series 2013	\$ 150,000	2.890 %	4/8/2013
Capital Lease for vehicle	29,500	7.598	3/12/2015
Capital Lease for vehicle	29,500	7.598	3/12/2015
Fire Department Capital Outlay Note	65,000	2.970	3/5/2018
<u>Water and Sewer Fund</u>			
Water and Sewer Revenue Bond, Series 2000	573,300	4.750	4/10/2000
2006 State Revolving Fund Loan	223,900	0	1/1/2008
General Obligation Capital Outlay Note, Series 2013	132,000	2.890	6/30/2013
2016 State Revolving Fund Loan	542,500	0.200	4/15/2015
<u>Natural Gas Fund</u>			
General Obligation Capital Outlay Note, Series 2013	<u>18,000</u>	2.890	6/30/2013
	<u><u>\$ 1,763,700</u></u>		

See the accompanying independent accountant's audit report.

<u>Final Maturity Date</u>	<u>Outstanding 7/1/2018</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2019</u>
5/31/2025	\$ 28,097	\$	(\$ 0	\$ 0	\$ 28,097
2/12/2019	11,755		(11,755	0	0
2/12/2019	11,755		(11,755	0	0
2/1/2023	65,000		(12,200	0	52,800
6/30/2039	420,330		(12,896	0	407,434
12/31/2027	105,410		(11,196	0	94,214
6/20/2025	54,591		(0	0	54,591
6/30/2036	507,008		(26,676	0	480,332
6/20/2025	<u>9,036</u>	<u></u>	<u>(0</u>	<u>0</u>	<u>9,036</u>
	<u>\$ 1,212,982</u>	<u>\$</u>	<u>(\$ 86,478</u>	<u>\$ 0</u>	<u>\$ 1,126,504</u>

TOWN OF ENGLEWOOD, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

June 30, 2019

	<u>Inside Town</u>	<u>Outside Town</u>
<u>Water</u>		
Utility Rates		
Residential		
First 2,000 gallons (3/4" meter, minimum monthly bill)	\$ 15.73	\$ 30.05
First 2,000 gallons (1" meter, minimum monthly bill)	30.22	57.72
First 2,000 gallons (2" meter, minimum monthly bill)	47.80	91.30
First 2,000 gallons (4" meter, minimum monthly bill)	170.10	324.90
Over 2,000 gallons (per thousand)	7.38	14.10
Commercial		
First 2,000 gallons (3/4" meter, minimum monthly bill)	\$ 15.73	\$ 30.05
First 2,000 gallons (1" meter, minimum monthly bill)	30.22	57.72
First 2,000 gallons (2" meter, minimum monthly bill)	50.18	195.85
First 2,000 gallons (4" meter, minimum monthly bill)	170.10	324.90
Over 2,000 gallons (per thousand)	8.41	16.07

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

Sewer

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

	<u>Small Business</u>	<u>Large Business</u>
Commercial		
First 2,500 gallons	\$ 29.00	\$ 55.95
Over 2,500 gallons (per thousand)	16.55	31.92

Sewer tap fee is cost plus 10%

Natural Gas

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

<u>Metered Customers</u>	<u>Total</u>
Water	1,484
Sewer	582
Natural Gas	287

See the accompanying independent accountants' audit report.



AWWA Free Water Audit Software: Reporting Worksheet

W AS v5.0
American Water Works Association
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Click to access definition
 Click to add a comment

Water Audit Report for: **Englewood Water and Gas (0000224)**
Reporting Year: **2019** **7/2018 - 6/2019**

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

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

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

WATER SUPPLIED

Volume from own sources: 23.040 MG/Yr
Water imported: 84.031 MG/Yr
Water exported: 0.000 MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: 1.00% 1.00% MG/Yr
 1.00% 1.00% MG/Yr
 1.00% 1.00% MG/Yr

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

WATER SUPPLIED: **106.011** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: 59.752 MG/Yr
Billed unmetered: 0.000 MG/Yr
Unbilled metered: 31.793 MG/Yr
Unbilled unmetered: 1.325 MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: **92.870** MG/Yr

Click here: for help using option buttons below

Pcnt: 1.25% 1.25% MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: 0.25% 0.25% MG/Yr

5.00% 5.00% MG/Yr
 0.25% 0.25% MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

13.141 MG/Yr

Apparent Losses

Unauthorized consumption: 0.265 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: 4.818 MG/Yr
Systematic data handling errors: 0.149 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: **5.233** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **7.908** MG/Yr

WATER LOSSES: **13.141** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **46.259** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 70.0 miles
Number of active AND inactive service connections: 1,475
Service connection density: 21 conn./mile main

Are customer meters typically located at the curbstop or property line? Yes

Average length of customer service line: (length of service line, beyond the property boundary, that is the responsibility of the utility)

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

Average operating pressure: 65.0 psi

COST DATA

Total annual cost of operating water system: \$710,962 \$/Year
Customer retail unit cost (applied to Apparent Losses): \$8.25 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): \$698.00 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 83 out of 100 *****

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

PRIORITY AREAS FOR ATTENTION:

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

1: Customer metering inaccuracies

2: Billed metered

3: Water imported

See the accompanying independent accountants' audit report.



AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0

American Water Works Association
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Water Audit Report for: **Englewood Water and Gas (0000224)**

Reporting Year: **2019** **7/2018 - 6/2019**

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 83 out of 100 ***

System Attributes:

Apparent Losses:	5.233	MG/Yr	
+	Real Losses:	7.908	MG/Yr
=	Water Losses:	13.141	MG/Yr

? Unavoidable Annual Real Losses (UARL): 14.23 MG/Yr

Annual cost of Apparent Losses: \$43,169

Annual cost of Real Losses: \$5,520

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

Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied: 43.6%

Non-revenue water as percent by cost of operating system: 10.1% Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: 9.72 gallons/connection/day

Real Losses per service connection per day: N/A gallons/connection/day

Real Losses per length of main per day*: 309.52 gallons/mile/day

Real Losses per service connection per day per psi pressure: N/A gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 7.91 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 0.56

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

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2019

Belinda Jackson, Mayor (7/1/18 - 10/14/19)
Jason Hitt, Mayor (10/14/19 - present)
Jason Hitt, Vice Mayor (7/1/18 - 10/14/19)
Shawn Martin, Vice Mayor (1/13/20 - present)
Randy Reddish, Commissioner (7/1/18 - 11/12/19)
Shawn Martin, Commissioner (7/1/18 - 1/13/20)
Tim Casteel, Commissioner (12/9/19 - present)
Glenn Perrine, Commissioner (12/9/19 - present)
Dwayne Arrowood, Commissioner
Richard Clowers, Town Manager
Angie Napier, Town Recorder
Sondra Denton, CMFO, Contracted Bookkeeper (8/19 - present)

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

<u>Federal or State Grantor/ Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Contract Number</u>	<u>Expenditures</u>
Federal Emergency Management Agency/ Tennessee Emergency Management Agency	97.042	1502-RR-8192	\$ 3,752
U.S. Department of Agriculture	10.759	N/A	<u>15,171</u>
			<u>\$ 18,923</u>

NOTE 1 - BASIS OF PRESENTATION

This schedule summarizes the expenditures of Town of Englewood, Tennessee under programs of the federal and state governments for the year ended June 30, 2019. The schedule is presented using the modified accrual basis of accounting.

NOTE 2 - INDIRECT COST RATE

Town of Englewood, Tennessee has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance, however, there were no indirect costs to be allocated during the year ended June 30, 2019.

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 were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the 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, 2019, and the related notes to the financial statements, which collectively comprise Town of Englewood, Tennessee's basic financial statements, and have issued our report thereon dated July 30, 2020. Our report disclaims an opinion on such financial statements because of the severe lack of financial oversight provided by the Mayor and Board of Commissioners.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Town of Englewood, Tennessee's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings, recommendations and management responses as finding number 2019-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings, recommendations and management responses as finding number 2019-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Englewood, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule findings, recommendations and management responses as finding number 2019-002.

Responses to the Findings

Town of Englewood, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings, recommendations and management responses. Town of Englewood, Tennessee's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



July 30, 2020

TOWN OF ENGLEWOOD, TENNESSEE

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

Year Ended June 30, 2019

Finding Number 2019-001 - Financial Oversight

Comment: Management does not have sufficient internal control over the financial reporting process. There are inadequate controls in place to ensure that the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America or that all cash receipts and disbursements are recorded correctly. Examples of the lack of financial oversight include:

- Accounts receivable records were not maintained for each month during the fiscal year.
- Supporting documentation could not be located for several expenditures made throughout the year.
- Employee time sheets were not documented as reviewed and approved by the City Manager.
- Authorizations of employee pay rates were not maintained for each employee.
- An employee was paid for more hours than was documented on their timesheet.
- Water loss reports were not prepared or maintained for each month of the fiscal year.
- There was a discrepancy of approximately \$45,000 in the amount of water sales recorded on the billing registers and the amount of water sales recorded on the accounting records.
- Town of Englewood, Tennessee overpaid sales tax to the Tennessee Department of Revenue by \$41,563 and was not timely detected by management.
- Expenditures exceeded appropriations in the general fund by \$10,424.
- Mileage logs are not being prepared to keep track of the use of Town of Englewood, Tennessee's vehicles and there was no reconciliation of gasoline purchases to miles driven.
- Monthly financial reports were not documented as reviewed by the Board of Commissioners in the minutes of the Mayor and Board of Commissioners meetings.

Recommendation: The Mayor and Board of Commissioners should establish sufficient internal controls over the financial reporting process. This includes ensuring that accounts receivable records are prepared and maintained, each disbursement is supported by adequate documentation, employee time sheets are documented as approved by the City Manager, documentation of each employee's pay rate is maintained, water loss reports are being prepared and maintained for each month of the fiscal year and mileage logs are being prepared and reconciled monthly. Also, the Mayor and Board of Commissioners should compare the revenue and expenditures reported on the monthly financial reports with the budgeted amounts to ensure all transactions are being recorded correctly.

TOWN OF ENGLEWOOD, TENNESSEE

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

(continued)

Year Ended June 30, 2019

Management Response: We concur. The Mayor and Board of Commissioners will establish sufficient internal controls over the financial reporting process. This will include ensuring that each disbursement is supported by adequate documentation and monthly reviews of the accounting records or financial statements to ensure all revenue and expense transactions are recorded correctly. Also, the Mayor and Board of Commissioners will ensure that all required records are prepared and maintained in accordance with the retention policy documented in the Local Government Audit Manual. Furthermore, the town has employed a Certified Municipal Finance Officer to assist with the internal controls of the town effective August 1, 2019.

Finding Number 2019-002 - Budget

Comment: The general fund budget did not include an adequate budget appropriation for total expenses. Total expenses exceeded appropriations by \$10,424 for the general fund.

Recommendation: Management should ensure that expenses do not exceed amounts budgeted per line item, as required by State of Tennessee law.

Management Response: We concur. Management will ensure that expenses do not exceed the amounts budgeted per line items, as required by State of Tennessee law. Furthermore, the town has employed a Certified Municipal Finance Officer to assist with the internal controls of the town effective August 1, 2019.

TOWN OF ENGLEWOOD, TENNESSEE

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2019

There were no prior year findings reported.

MANAGEMENT'S CORRECTIVE ACTION PLAN

TOWN OF ENGLEWOOD
P.O. BOX 150
ENGLEWOOD, TENNESSEE 37329
(423) 887-7224

MANAGEMENT'S CORRECTIVE ACTION PLAN

Town of Englewood, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2019. The finding from the June 30, 2019 schedule of finding, recommendation and management response is discussed below. Questions concerning the information provided in this corrective action plan or requests for additional information should be addressed to Town of Englewood, Tennessee.

Richard Clowers, Town Manager
Town of Englewood, Tennessee
P.O. Box 150
Englewood, TN 37329
Telephone 423-887-7224

No. 2019-001: Material Weakness - Financial Oversight

Recommendation: The Mayor and Board of Commissioners should establish sufficient internal controls over the financial reporting process. This includes ensuring that each disbursement is supported by adequate documentation and monthly reviews of the accounting records or financial statements to ensure all revenue and expense transactions are recorded correctly. Also, the Mayor and Board of Commissioners should ensure that all required records are prepared and maintained in accordance with the retention policy documented in the *Local Government Audit Manual*.

Action Taken: We concur. The Mayor and Board of Commissioners will establish sufficient internal controls over the financial reporting process. This will include ensuring that each disbursement is supported by adequate documentation and monthly reviews of the accounting records or financial statements to ensure all revenue and expense transactions are recorded correctly. Also, the Mayor and Board of Commissioners will ensure that all required records are prepared and maintained in accordance with the retention policy documented in the *Local Government Audit Manual*. Furthermore, the town has employed a Certified Municipal Finance Officer to assist with the internal controls of the town effective August 1, 2019.

No. 2019-002: Significant Deficiency - Budget

Recommendation: Management should ensure that expenses do not exceed amounts budgeted per line item, as required by State of Tennessee law.

Action Taken: We concur. Management will ensure that expenses do not exceed the amounts budgeted per line items, as required by State of Tennessee law. Furthermore, the town has employed a Certified Municipal Finance Officer to assist with the internal controls of the town effective August 1, 2019.

Signature: Richard Clowers

Title: Town Manager