

Financial Statements

TOWN OF ENGLEWOOD, TENNESSEE

Year Ended June 30, 2011

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Englewood, Tennessee as of and for the year ended June 30, 2011, which collectively comprise Town of Englewood, Tennessee's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of Town of Englewood, Tennessee as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Drug Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 to 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Town of Englewood, Tennessee's basic financial statements. The accompanying other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal and state awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other supplementary information as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011 on our consideration of Town of Englewood, Tennessee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

November 14, 2011

TOWN OF ENGLEWOOD
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Management's Discussion and Analysis For the Year Ended June 30, 2011

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, 2011. This information should be read in conjunction with the accompanying financial statements.

This MD&A also presents an overview of the Town including the Water and Sewer and Natural Gas Funds, known as the Primary Government. The government-wide financial statements include only the primary government which is the total reporting entity.

Financial Highlights

The following are key financial highlights:

- The assets of the Town of Englewood Primary Government were more than its liabilities at year-end 2011 by \$5,965,401 (\$5,953,701 in 2010).
- The Town of Englewood Primary Government's net assets increased by \$11,700 (\$152,920 in 2010) or 0.2 percent during 2011 (2.6 percent during 2010).
- At 2011 year-end, the Town's governmental funds reported combined ending fund balances of \$728,604 an increase of \$67,066 for 2011. At 2010 year-end, the Town's governmental funds reported combined ending fund balances of \$661,537 a decrease of \$52,999 for 2010. Of the total fund balances, \$649,837 (\$517,314 in 2010) is unassigned and available for ongoing operations.
- At June 30, 2011 the unassigned General Fund Balance was \$649,837 (\$517,314 in 2010) or 89 percent (67 percent in 2010) of General Fund expenditures. This demonstrates the Town's fiscal discipline and will help meet unexpected emergencies and other uncertainties the Town may face during the course of everyday operations.

Overview of the Financial Statements

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

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

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

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

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

The governmental activities of the Town include the following:

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

The business-type of activities of the Town include water and sewer services provided by the Water and Sewer Fund and natural gas services provided by the Natural Gas Fund.

The government-wide financial statements can be found on pages 10 to 12 of this report.

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

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

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

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

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

The Town's enterprise funds, the Water and Sewer Fund and the Natural Gas Fund, are major funds and are reported separately in the government-wide and fund financial statements. The proprietary fund financial statements are presented on pages 27 to 30 in the basic financial statements.

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded its liabilities by \$5,965,401 (\$5,953,701 in 2010).

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

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets	\$ 1,640,188	\$ 1,548,213
Capital assets, net of accumulated depreciation	<u>5,725,925</u>	<u>5,880,878</u>
Total Assets	<u>\$ 7,336,113</u>	<u>\$ 7,429,091</u>

LIABILITIES

Current liabilities	\$ 395,945	\$ 415,928
Non-current liabilities	<u>1,004,771</u>	<u>1,059,465</u>
Total Liabilities	1,400,716	1,475,393

NET ASSETS

Invested in capital assets, net of related debt	4,666,460	4,762,527
Restricted	190,674	165,351
Unrestricted	<u>1,108,267</u>	<u>1,025,823</u>
Total Net Assets	<u>5,965,401</u>	<u>5,953,701</u>

Total Liabilities and Net Assets **\$7,366,113** **\$7,429,091**

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

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

	<u>2011</u>	<u>2010</u>
REVENUE		
Program revenue:		
Fees, fines and charges for services	\$ 1,142,128	\$ 1,160,689
Operating grants and contributions	51,048	57,891
Capital grants and contributions	0	245,838
General revenue:		
Local taxes	291,839	296,504
State and federal	153,044	141,757
Miscellaneous	9,695	26,651
Investment income	<u>36,574</u>	<u>24,352</u>
	<u>1,684,328</u>	<u>1,953,682</u>
EXPENSES		
General government	196,291	217,663
Public safety	295,620	271,459
Highways and streets	83,250	104,515
Solid waste collection and disposal	54,483	57,083
Interest on long-term debt	3,219	405
Public welfare	73,778	118,889
Natural gas	201,861	270,996
Water and sewer	<u>764,128</u>	<u>759,753</u>
	<u>1,672,630</u>	<u>1,800,762</u>
Increase in net assets	11,700	152,920
Net assets at the beginning of the year	<u>5,953,701</u>	<u>5,800,781</u>
Net assets at the end of the year	<u>\$ 5,965,401</u>	<u>\$ 5,953,701</u>

Governmental Activities - Governmental activities increased the Town's net assets by \$107,910 (\$8,701 in 2010).

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

Business Type Activities - Business-type activities decreased the Town's net assets by \$96,210 in 2011 and increased the Town's net assets by \$144,219 in 2010. This decrease was mainly due to continued sewer improvements. The Water and Sewer Fund reported an decrease of \$118,606 in 2011 and an increase of \$117,962 in 2010 and the Natural Gas Fund reported an increase of \$22,396 in 2011 and \$26,257 in 2010.

Capital Assets

The Town's investment in capital assets as of June 30, 2011 was \$5,725,925 (\$5,880,878 in 2010) net of accumulated depreciation.

	<u>2011</u>	<u>2010</u>
Land	\$ 146,709	\$ 146,709
Buildings	462,627	462,627
Utility Plant	4,023,353	4,023,353
Office equipment	18,067	10,378
Equipment	4,029,587	4,011,896
Vehicles	323,077	271,254
Land improvements	70,732	70,732
Accumulated depreciation	<u>(3,346,526)</u>	<u>(3,116,071)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 5,725,925</u>	<u>\$ 5,880,878</u>

The major capital asset additions during 2011 were due to the following:

Equipment	\$ 17,691
Vehicles	51,823
Office equipment	5,988

Debt Administration

At June 30, 2011, the proprietary funds had outstanding debt of \$874,245 (\$909,312 in 2010) consisting of the following:

	<u>2011</u>	<u>2010</u>
Water and Sewer Revenue Bonds	\$ 495,347	\$ 504,173
Tennessee Municipal Bond Fund Capital Outlay notes	195,117	210,161
State Revolving Fund loan	<u>183,782</u>	<u>194,978</u>
Total Debt-Principal	874,245	909,312
Less: Current Portion Due	<u>(36,014)</u>	<u>(35,067)</u>
Total Long-term Debt-Principal	<u>\$ 838,232</u>	<u>\$ 874,245</u>

During 2011 the Town retired \$35,067 (\$163,063 in 2010) on its proprietary funds debt.

At June 30, 2011, the General Fund had outstanding debt of \$185,220 (\$209,039 in 2010) consisting of the following:

	<u>2011</u>	<u>2010</u>
Capital outlay notes	\$ 185,220	\$ 209,039
Less: Current Portion Due	<u>(18,680)</u>	<u>(23,819)</u>
Total Long-term Debt-Principal	<u>\$ 166,540</u>	<u>\$ 185,220</u>

During 2011 the Town retired \$23,819 (\$22,901 in 2010) on its General Fund debt.

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

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

Financial Analysis of the Town's Funds

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

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

The General Fund's fund balance increased by \$54,499 in 2011 and decreased by \$61,660 in 2010.

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

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

The unrestricted net assets for the Water and Sewer Fund were \$229,999 (\$222,889 in 2010). The unrestricted net assets for the Natural Gas Fund were \$299,062 (\$270,158 in 2010).

General Fund Budgetary Highlights

During 2011, original budget revenues increased by \$18,345 due to increases in budgeted revenue for the state law enforcement grant and insurance recoveries. Original budget expenditures increased by \$88,868 due to increases in budgeted expenditures for repairs and maintenance for the community swimming pool. Also, there were capital purchase funds added, which were for vehicles and computer equipment. During 2010, there were no significant changes in original budget revenues. Original budget expenditures increased by \$153,476 due to increases in budgeted expenditures for general repairs and maintenance and repairs and maintenance for the community swimming pool. Also, there were capital purchase funds added, which were for the playground equipment and for highway and street repairs.

Economic Factors and Next Year's Budgets and Rates

The Board of Commissioners approved the budget for the year ending June 30, 2012. The estimated revenues and appropriations did not vary significantly from the budget for the year ended June 30, 2011.

Requests for Information

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

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

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash	\$ 478,170	\$ 303,117	\$ 781,287
Certificates of deposit	200,000	280,604	480,604
Accounts receivable, net of allowance for uncollectible accounts	0	64,199	64,199
Property taxes receivable, net of allowance for uncollectible accounts	195,617	0	195,617
Due from other governments	32,298	0	32,298
Interfund balances	5,087	(5,087)	0
Taxes receivable	15,973	0	15,973
Natural gas for resale	0	47,287	47,287
Prepaid expenses	22,925	0	22,925
Capital assets not being depreciated	107,080	39,629	146,709
Capital assets being depreciated, net of accumulated depreciation	<u>731,526</u>	<u>4,847,690</u>	<u>5,579,216</u>
 TOTAL ASSETS	 <u>\$ 1,788,676</u>	 <u>\$ 5,577,438</u>	 <u>\$ 7,366,113</u>

See the accompanying notes to the financial statements.

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Accounts payable	\$ 1,595	\$ 12,494	\$ 14,090
Accrued vacation	3,463	4,764	8,227
Deferred revenue	175,131	0	175,131
Current portion of long-term debt	18,680	36,014	54,694
Customer deposits	0	143,802	143,802
Long-term debt, net of current portion	<u>166,540</u>	<u>838,231</u>	<u>1,004,771</u>
TOTAL LIABILITIES	365,411	1,035,305	1,400,716
NET ASSETS			
Invested in capital assets, net of related debt	653,386	4,013,074	4,666,460
Restricted for drug enforcement	55,842	0	55,842
Unrestricted	<u>714,038</u>	<u>529,061</u>	<u>1,243,099</u>
TOTAL NET ASSETS	<u>1,423,266</u>	<u>4,542,135</u>	<u>5,965,401</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,788,676</u>	<u>\$ 5,577,438</u>	<u>\$ 7,366,113</u>

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 196,291	\$ 2,187	\$ 0	\$ 0
Public safety	295,620	195,281	11,800	0
Public welfare	73,778	18,239	9,393	0
Streets and highways	83,250	0	43,056	0
Solid waste collection and disposal	54,483	60,691	0	0
Interest on long-term debt	<u>3,219</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Governmental Activities	706,641	276,397	64,249	0
Business-Type Activities:				
Water and sewer	764,128	643,199	0	0
Natural gas	<u>201,861</u>	<u>222,531</u>	<u>0</u>	<u>0</u>
Total Business-Type Activities	<u>965,989</u>	<u>865,731</u>	<u>0</u>	<u>0</u>
	<u>\$ 1,672,630</u>	<u>\$ 1,142,128</u>	<u>\$ 64,249</u>	<u>\$ 0</u>

Net (Expense)Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals
\$ (194,104)	\$ 0	\$ (194,104)
(88,540)	0	(88,540)
(46,146)	0	(46,146)
(40,195)	0	(40,195)
6,209	0	6,209
(3,219)	0	(3,219)
(365,995)	0	(365,995)
0	(120,930)	(120,930)
0	20,671	20,671
0	(100,258)	(100,258)
\$ (365,995)	\$ (100,258)	\$ (466,253)

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2011

NET (EXPENSE)REVENUE FROM PROGRAM ACTIVITIES

General Revenue:

Taxes:

- Property tax
- Interest and penalty
- In-Lieu of tax payments
- Local sales tax
- Business tax
- Wholesale beer tax
- Cable TV franchise tax

Intergovernmental

Interest

Miscellaneous

Total General Revenue

CHANGES IN NET ASSETS

NET ASSETS AT THE BEGINNING OF THE YEAR

NET ASSETS AT THE END OF THE YEAR

See the accompanying notes to the financial statements.

Net (Expense)Revenue and
Changes In Net Assets

Governmental Activities	Business-Type Activities	Totals
\$ (365,995)	\$ (100,258)	\$ (466,253)
175,596	0	\$ 175,596
1,816	0	1,816
9,717	0	9,717
68,340	0	68,340
6,626	0	6,626
22,373	0	22,373
7,371	0	7,371
139,844	0	139,844
5,647	4,048	9,695
36,574	0	36,574
<u>473,904</u>	<u>4,048</u>	<u>477,953</u>
107,910	(96,210)	11,700
<u>1,315,356</u>	<u>4,638,345</u>	<u>5,953,701</u>
<u>\$ 1,423,266</u>	<u>\$ 4,542,135</u>	<u>\$ 5,965,401</u>

TOWN OF ENGLEWOOD, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2011

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 432,253	\$ 45,917	\$ 478,170
Certificate of deposit	200,000	0	200,000
Property taxes receivable, net of allowance for uncollectible accounts of \$3,000	195,617	0	195,617
Due from other governments	32,298	0	32,298
Due from other funds	5,087	10,000	15,087
Taxes receivable	15,973	0	15,973
Prepaid expenses	<u>22,925</u>	<u>0</u>	<u>22,925</u>
TOTAL ASSETS	<u>\$ 904,153</u>	<u>\$ 55,917</u>	<u>\$ 960,070</u>
LIABILITIES			
Accounts payable	\$ 1,595	\$ 75	\$ 1,670
Accrued vacation	3,388	0	3,388
Due to other funds	10,000	0	10,000
Deferred revenue	<u>216,408</u>	<u>0</u>	<u>216,408</u>
TOTAL LIABILITIES	231,391	75	231,466
FUND BALANCES			
Nonspendable	22,925	0	22,925
Restricted	0	55,842	55,842
Unassigned	<u>649,837</u>	<u>0</u>	<u>649,837</u>
	<u>672,762</u>	<u>55,842</u>	<u>728,604</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 904,153</u>	<u>\$ 55,917</u>	<u>\$ 960,070</u>

See the accompanying notes to the financial

TOWN OF ENGLEWOOD, TENNESSEE

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

June 30, 2011

Total Fund Balance - Governmental Funds	\$ 728,604
Capital assets used in governmental activities are reported in the statement of net assets; however, they are not current financial resources and therefore are not reported in the governmental funds balance sheet.	838,606
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.	41,276
Long-term liabilities are not due in the current period and, therefore, are not reported in the governmental funds balance sheet.	<u>(185,220)</u>
Net Assets of Governmental Activities	<u>\$ 1,423,266</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, 2011

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
REVENUE			
Taxes:			
Property tax	\$ 170,416	\$ 0	\$ 170,416
Interest and penalty	1,816	0	1,816
In-Lieu of tax payments	9,717	0	9,717
Local sales tax	68,220	0	68,220
Business tax	6,545	0	6,545
Wholesale beer tax	21,981	0	21,981
Cable TV franchise tax	7,371	0	7,371
Intergovernmental	185,787	10,000	195,787
Licenses and permits	855	0	855
Charges for services	78,062	0	78,062
Fines and forfeitures	179,929	15,352	195,281
Donations	9,393	0	9,393
Interest	5,546	101	5,647
Rent	13,100	0	13,100
Police auction	11,587	0	11,587
Insurance recoveries	8,070	0	8,070
Miscellaneous	5,324	692	6,016
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	783,718	26,146	809,864

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2011

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
EXPENDITURES			
Current:			
General government	185,024	0	185,024
Public safety	263,057	8,578	271,635
Public welfare	65,286	0	65,286
Streets and highways	75,946	0	75,946
Waste management	50,058	0	50,058
Capital outlay	62,811	5,000	67,811
Debt service	27,038	0	27,038
TOTAL EXPENDITURES	<u>729,219</u>	<u>13,578</u>	<u>742,798</u>
EXCESS OF REVENUE OVER EXPENDITURES	54,499	12,567	67,066
FUND BALANCES AT THE BEGINNING OF THE YEAR, as restated	<u>618,263</u>	<u>43,275</u>	<u>661,537</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 672,762</u>	<u>\$ 55,842</u>	<u>\$ 728,604</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

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

Year Ended June 30, 2011

Excess of Revenue Over Expenditures - Governmental Funds	\$ 67,066
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	67,811
Depreciation expense	(55,472)
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	23,819
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental fund financial statements:	
Deferred taxes - June 30, 2010	(36,589)
Deferred taxes - June 30, 2011	<u>41,275</u>
Change in Net Assets of Governmental Activities	<u>\$ 107,910</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, 2011

	Budget		Actual	Variance
	Original	Final		Over (Under)
REVENUE				
Taxes:				
Property tax	\$ 186,900	\$ 186,900	\$ 170,416	\$ (16,484)
Interest and penalty	4,500	4,500	1,816	(2,684)
In-Lieu of tax payments	10,000	10,000	9,717	(283)
Local sales tax	70,000	70,000	68,220	(1,780)
Business tax	6,000	6,000	6,545	545
Wholesale beer tax	22,000	22,000	21,981	(19)
Cable TV franchise tax	7,000	7,000	7,371	371
	<u>306,400</u>	<u>306,400</u>	<u>286,066</u>	<u>(20,334)</u>
Intergovernmental:				
State income tax	5,000	5,000	6,080	1,080
State beer tax	400	400	830	430
State sales tax	105,000	105,000	105,866	866
State gasoline and motor fuel tax	43,500	43,500	43,335	(165)
Corporate excise tax	5,000	5,000	661	(4,339)
Telecommunications tax	200	200	107	(93)
TVA In-Lieu of tax payment	20,000	20,000	23,695	3,695
City streets and transportation funds	4,000	4,000	3,413	(587)
State law enforcement grant	3,000	8,000	1,800	(6,200)
	<u>186,100</u>	<u>191,100</u>	<u>185,787</u>	<u>(5,313)</u>
Fines and forfeitures	135,000	140,125	179,929	39,804
Building permits	100	100	855	755

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Charges for services:				
Community pool admittance fees	4,000	4,000	10,027	6,027
Community pool rental fees	2,000	2,000	3,565	1,565
Community pool concessions	1,500	1,500	2,692	1,192
Solid waste collection fees	60,000	60,000	60,691	691
Accident report charges	200	200	532	332
Library charges	500	500	555	55
Park and recreation charges	100	100	0	(100)
	<u>68,300</u>	<u>68,300</u>	<u>78,062</u>	<u>9,762</u>
Other revenue:				
Rent	15,300	15,300	13,100	(2,200)
Interest	12,510	12,510	5,546	(6,964)
Donations	10,000	10,000	9,393	(607)
Police auction	6,000	6,550	11,587	5,037
Insurance recoveries	0	6,670	8,070	1,400
Miscellaneous revenue	4,200	5,200	5,324	124
	<u>48,010</u>	<u>56,230</u>	<u>53,020</u>	<u>(3,210)</u>
TOTAL REVENUE	743,910	762,255	783,718	21,463
EXPENDITURES				
Financial administration:				
Salaries and wages	34,700	34,700	36,463	1,763
OASDI employer's share	0	1,208	1,208	0
Retirement	0	0	452	452
Repairs and maintenance	0	0	110	110
Travel	500	500	144	(356)
Office supplies and materials	2,980	2,980	1,620	(1,360)
	<u>38,180</u>	<u>39,388</u>	<u>39,998</u>	<u>610</u>

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Judicial:				
Other professional services	3,000	3,000	3,000	0
General government:				
Salaries and wages	22,000	22,000	21,344	(656)
OASDI employer's share	20,500	9,733	10,427	694
Health insurance	15,000	15,000	15,000	0
Retirement	3,500	3,500	1,840	(1,660)
Death benefit plan	1,500	1,500	1,407	(93)
Unemployment insurance	1,800	1,800	2,533	733
Employee training	1,000	403	744	341
Postage	800	800	334	(466)
Publicity, subscriptions and dues	3,600	3,600	2,942	(658)
Accounting and auditing services	7,000	7,000	6,500	(500)
State planning services	7,000	7,000	6,750	(250)
Other professional services	16,000	16,000	16,772	772
Insurance	43,000	40,080	38,155	(1,925)
Utilities	5,050	5,050	3,732	(1,318)
Telephone	2,800	2,800	2,966	166
Repair and maintenance	2,000	2,000	1,271	(729)
Operating supplies	2,500	2,500	2,263	(237)
Travel	800	800	660	(140)
Computer equipment	0	2,271	2,271	0
Donations	2,000	2,000	734	(1,266)
	<u>157,850</u>	<u>145,837</u>	<u>138,644</u>	<u>(7,192)</u>

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Police department:				
Salaries and wages	160,100	160,100	157,524	(2,576)
OASDI employer's share	0	6,411	6,411	0
Retirement	0	0	934	934
Employee education and training	700	700	388	(312)
Utilities	2,350	2,350	2,517	167
Telephone	2,200	2,200	2,053	(147)
Professional services	15,000	21,753	21,569	(184)
Repairs and maintenance	4,500	4,500	2,966	(1,534)
Small items of equipment	1,000	1,000	603	(397)
Supplies	1,200	1,200	917	(283)
Travel	100	100	0	(100)
Operating supplies	1,100	1,100	1,003	(97)
Clothing and uniforms	1,500	1,500	481	(1,019)
Gas, oil and grease	15,000	15,000	18,204	3,204
	<u>204,750</u>	<u>217,914</u>	<u>215,572</u>	<u>(2,342)</u>
Fire department:				
Employee training	1,000	1,000	310	(690)
Professional services	10,000	16,753	16,606	(147)
Utilities	7,250	7,250	8,105	855
Telephone	500	500	475	(25)
Gas, oil and grease	3,000	3,000	1,739	(1,261)
Repairs and maintenance	5,000	10,885	11,277	392
Operating supplies	550	550	476	(74)
Clothing and uniforms	1,500	1,500	1,457	(43)
Insurance	1,500	1,500	1,500	0
Small items of equipment	2,000	5,600	5,540	(60)
	<u>32,300</u>	<u>48,538</u>	<u>47,485</u>	<u>(1,053)</u>

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
City attorney:				
Other professional services	4,000	4,000	3,382	(618)
Highways and streets:				
Salaries and wages	21,000	21,000	21,283	283
OASDI employer's share	0	0	334	334
Operating supplies	1,000	1,000	1,090	90
Repairs and maintenance	2,000	2,785	3,102	317
Machinery equipment and parts	1,000	1,000	887	(113)
Gas, oil and grease	2,000	2,000	1,740	(260)
Utilities	36,000	36,000	32,308	(3,692)
Roads, streets, and parking	<u>67,720</u>	<u>67,720</u>	<u>15,201</u>	<u>(52,519)</u>
	130,720	131,505	75,946	(55,559)
Community swimming pool:				
Salaries and wages	13,000	13,000	16,331	3,331
OASDI employer's share	0	557	557	0
Memberships and registration fees	350	350	340	(10)
Utilities	3,000	3,000	2,227	(773)
Telephone	200	200	161	(39)
Repairs and maintenance	2,000	2,000	3,105	1,105
Operating supplies	500	500	429	(71)
Chemical supplies	5,000	5,000	1,267	(3,733)
Supplies for resale	<u>1,000</u>	<u>1,000</u>	<u>1,164</u>	<u>164</u>
	25,050	25,607	25,581	(26)

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Parks and recreation:				
Salaries and wages	2,500	3,097	3,749	652
OASDI employer's share	0	169	169	0
Utilities	500	500	460	(40)
Repairs and maintenance	3,500	8,842	8,458	(384)
Operating supplies	550	550	367	(183)
	<u>7,050</u>	<u>13,158</u>	<u>13,203</u>	<u>45</u>
Library:				
Salaries and wages	13,800	13,800	13,173	(627)
OASDI employer's share	1,500	1,500	990	(510)
Postage	50	50	30	(20)
Books, catalogues and brochures	500	500	30	(470)
Utilities	7,300	7,300	8,146	846
Telephone	1,000	1,000	1,265	265
Accounting and auditing services	150	150	150	0
Repairs and maintenance	400	400	11	(389)
Operating supplies	600	600	707	107
Insurance	2,000	2,000	2,000	0
	<u>27,300</u>	<u>27,300</u>	<u>26,501</u>	<u>(799)</u>
Solid waste management:				
Salaries and wages	25,000	25,000	23,357	(1,643)
OASDI employer's share	2,000	2,000	1,751	(249)
Employee benefits	200	200	139	(61)
Accounting and auditing services	2,500	2,500	2,500	0
Repairs and maintenance	3,000	3,000	1,589	(1,411)
Landfill services	13,000	13,000	9,360	(3,640)
Clothing and uniforms	200	200	0	(200)
Office supplies	5,250	5,250	3,127	(2,123)

TOWN OF ENGLEWOOD, TENNESSEE

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

(continued)

Year Ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Solid waste management (continued):				
Gas, oil and grease	5,000	5,000	4,236	(764)
Insurance	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>0</u>
	60,150	60,150	50,058	(1,953)
Capital outlay:				
General government	0	5,988	5,988	0
Police department	0	26,600	26,600	0
Fire department	<u>0</u>	<u>30,233</u>	<u>30,223</u>	<u>(10)</u>
	0	62,821	62,811	(1,953)
Debt service:				
Note principal	25,000	25,000	23,819	(1,181)
Interest expense	<u>7,000</u>	<u>7,000</u>	<u>3,219</u>	<u>(3,781)</u>
	32,000	32,000	27,038	(4,962)
TOTAL EXPENDITURES	<u>722,350</u>	<u>811,218</u>	<u>729,219</u>	<u>(81,998)</u>
EXCESS(DEFICIENCY) OF REVENUE OVER EXPENDITURES	21,560	(48,963)	54,499	103,462
FUND BALANCE AT THE BEGINNING OF THE YEAR, as restated	<u>0</u>	<u>48,963</u>	<u>618,263</u>	<u>569,300</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 21,560</u>	<u>\$ 0</u>	<u>\$ 672,762</u>	<u>\$ 672,762</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

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

Year Ended June 30, 2011

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Drug related fines	\$ 6,770	\$ 6,770	\$ 7,495	\$ 725
Camera grant	0	0	10,000	10,000
Seized vehicle fee	4,000	5,550	3,452	(2,098)
Drug seizure money	405	405	4,404	3,999
Miscellaneous	1,525	1,525	794	(731)
TOTAL REVENUE	12,700	14,250	26,146	11,896
EXPENDITURES				
Salaries and wages	4,000	4,000	1,810	(2,190)
OASDI employer's share	100	100	279	179
Operating supplies	450	950	1,172	222
Investigative funds	4,000	2,500	0	(2,500)
Other professional services	0	0	413	413
Repairs and maintenance	1,100	5,367	4,879	(488)
Travel and training	1,550	1,550	25	(1,525)
DARE program supplies	1,500	1,500	0	(1,500)
Capital outlay	0	1,550	5,000	3,450
TOTAL EXPENDITURES	12,700	17,517	13,578	(3,939)
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES	0	(3,267)	12,567	15,834
FUND BALANCE AT THE BEGINNING OF THE YEAR	0	3,267	43,275	40,008
FUND BALANCE AT THE END OF THE YEAR	\$ 0	\$ 0	\$ 55,842	\$ 55,842

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2011

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 300,229	\$ 283,491	\$ 583,721
Accounts receivable, net of allowance for uncollectible accounts of \$1,380	64,199	0	64,199
Due from other funds	0	3,188	3,188
Natural gas for resale	<u>0</u>	<u>47,287</u>	<u>47,287</u>
TOTAL CURRENT ASSETS	364,428	333,967	698,395
CAPITAL ASSETS			
Land	39,372	257	39,629
Buildings	76,568	0	76,568
Utility plant	3,719,425	298,728	4,018,153
Equipment	3,516,754	0	3,516,754
Vehicles	<u>13,585</u>	<u>27,582</u>	<u>41,167</u>
	7,365,704	326,567	7,692,271
Accumulated depreciation	<u>(2,551,082)</u>	<u>(253,871)</u>	<u>(2,804,953)</u>
	<u>4,814,622</u>	<u>72,696</u>	<u>4,887,319</u>
TOTAL ASSETS	<u>\$ 5,179,050</u>	<u>\$ 406,663</u>	<u>\$ 5,585,714</u>

See the accompanying notes to the financial statements.

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 4,684	\$ 7,810	\$ 12,494
Accrued vacation	3,360	1,404	4,764
Customer deposits	118,109	25,690	143,800
Due to other funds	8,276	0	8,276
Current portion of long-term debt	<u>33,746</u>	<u>2,268</u>	<u>36,014</u>
TOTAL CURRENT LIABILITIES	168,176	37,172	205,348
LONG-TERM DEBT,			
net of current portion	<u>812,082</u>	<u>26,149</u>	<u>838,231</u>
TOTAL LIABILITIES	980,258	63,321	1,043,579
NET ASSETS			
Invested in capital assets, net of related debt	3,968,794	44,280	4,013,074
Unrestricted	<u>229,999</u>	<u>299,062</u>	<u>529,061</u>
	<u>4,198,792</u>	<u>343,342</u>	<u>4,542,135</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,179,050</u></u>	<u><u>\$ 406,663</u></u>	<u><u>\$ 5,585,714</u></u>

TOWN OF ENGLEWOOD, TENNESSEE

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

Year Ended June 30, 2011

	Water and Sewer Fund	Natural Gas Fund	Totals
OPERATING REVENUE			
Sales	\$ 617,226	\$ 218,507	\$ 835,733
Other operating revenue	25,973	4,025	29,998
TOTAL OPERATING REVENUE	643,199	222,531	865,731
OPERATING EXPENSES			
Purchased water/gas	88,959	105,647	194,606
Purification	146,543	0	146,543
Transmission and distribution	101,942	41,356	143,298
Sewer collection lines	7,996	0	7,996
Sewer treatment and disposal	99,524	0	99,524
Customer accounting and collection	38,717	4,395	43,112
Administrative and general expense	88,599	41,227	129,826
Depreciation	166,281	8,701	174,982
TOTAL OPERATING EXPENSES	738,562	201,325	939,887
(LOSS)INCOME FROM OPERATIONS	(95,363)	21,207	(74,157)
NONOPERATING REVENUE(EXPENSE)			
Interest income	2,323	1,725	4,048
Interest expense	(25,566)	(536)	(26,102)
	(23,243)	1,189	(22,053)
CHANGES IN NET ASSETS	(118,606)	22,396	(96,210)
NET ASSETS AT THE			
BEGINNING OF THE YEAR	4,317,399	320,946	4,638,345
NET ASSETS AT THE			
END OF THE YEAR	\$ 4,198,792	\$ 343,342	\$ 4,542,135

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended June 30, 2011

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
CASH PROVIDED(USED) BY OPERATING ACTIVITIES			
Cash received from customers	\$ 654,259	\$ 224,131	\$ 878,391
Cash paid to employees	(200,867)	(46,956)	(247,822)
Cash paid to suppliers	<u>(404,238)</u>	<u>(152,559)</u>	<u>(556,797)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	49,154	24,617	73,771
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments of long-term debt	(32,875)	(2,192)	(35,067)
Interest paid on debt	(25,566)	(536)	(26,102)
Capital contributions	25,715	0	25,715
Acquisition of capital assets	<u>(7,691)</u>	<u>0</u>	<u>(7,691)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(40,416)	(2,728)	(43,144)
CASH PROVIDED(USED) BY INVESTING ACTIVITIES			
Interest received	<u>2,323</u>	<u>1,725</u>	<u>4,048</u>
NET INCREASE IN CASH	11,061	23,615	34,676
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>289,168</u>	<u>259,877</u>	<u>549,045</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 300,229</u>	<u>\$ 283,491</u>	<u>\$ 583,721</u>

TOWN OF ENGLEWOOD, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2011

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Totals</u>
RECONCILIATION OF (LOSS)INCOME FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES			
(Loss)income from operations	\$ (95,363)	\$ 21,207	\$ (74,157)
Adjustments to reconcile (loss)income from operations to net cash provided by operating activities:			
Depreciation	166,281	8,701	174,982
(Increase) in:			
Accounts receivable	(3,910)	0	(3,910)
Inventory	0	(7,602)	(7,602)
Due from other funds	0	(582)	(582)
Increase(decrease)			
Accounts payable	(27,081)	1,359	(25,723)
Accrued vacation	1,509	(65)	1,444
Due to other funds	569	0	569
Customer deposits	7,150	1,600	8,750
	<u>144,518</u>	<u>3,410</u>	<u>147,929</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 49,154</u>	<u>\$ 24,617</u>	<u>\$ 73,771</u>

See the accompanying notes to the financial statements.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

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 which have been formed under applicable state laws, or separate and distinct units of government apart from Town of Englewood, Tennessee. As of June 30, 2011, and for the year then ended, the Town had no discretely presented component units which were required to be included in these financial statements.

Government-wide and fund financial statements

The government-wide financial statements, which consist of the statement of net assets and the statement of activities, report information on all of the nonfiduciary activities of the Town. 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, 2011

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. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

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

All trade receivables are shown net of an allowance for uncollectible accounts. Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. In Tennessee, this date is January 1st, 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 1st of the ensuing fiscal year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes, is reported as deferred revenue in the fund financial statements and unearned revenue in the government-wide financial statements as of June 30.

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

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary funds:

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

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

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

The Town had no internal service funds or fiduciary funds as of or for the year ended June 30, 2011.

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

Proprietary funds distinguish operating revenue and expenses from non-operating 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, 2011

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Town's water and gas functions, and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenue reported in the various functions concerned.

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

Invested in capital assets, net of related debt

This category includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Invested in capital assets, net of related debt at June 30, 2011 has been calculated as follows:

Governmental activities:

Capital assets	\$ 1,380,179
Accumulated depreciation	(541,572)
Principal balance on long-term debt	<u>(185,220)</u>
	<u>\$ 653,386</u>

Business-Type activities:

Water and Sewer Fund:	
Capital assets	\$ 7,365,705
Accumulated depreciation	(2,551,083)
Principal balance of bonds and notes payable	<u>(845,828)</u>
	<u>\$ 3,968,794</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011

Natural Gas Fund:	
Capital assets	\$ 326,567
Accumulated depreciation	(253,871)
Principal balance of bonds and notes payable	<u>(28,417)</u>
	<u>\$ 44,280</u>

Restricted

This category includes net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the Town pursuant to those stipulations or that expire by the passage of time. Net assets of the drug fund are classified as restricted net assets because their use is limited to drug enforcement. Net assets of the solid waste management fund are classified as restricted net assets because their use is limited to solid waste expenditures. 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 assets that are not subject to externally imposed stipulations and that do not meet the definition of "restricted" or "invested in capital assets, net of related debt". Unrestricted net assets may be designated for specific purposes by action of management or the Board of Commissioners or may otherwise be limited by contractual agreements with outside parties.

Fund Balances

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

Nonspendable Fund Balance

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

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011

Restricted Fund Balance

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

Committed Fund Balance

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

Assigned Fund Balance

Fund balances reported as assigned in the accompanying financial statements represent amounts that are constrained by the Town's intent.

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.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011

Capital Assets

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

Materials and supplies

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

Compensated Absences

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

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

Property Taxes

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

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts is provided based upon historical trends. The allowance for uncollectible accounts at June 30, 2011, is as follows:

Governmental funds	\$ 3,000
Proprietary funds	1,380

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011

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 and investments are stated at cost which approximates market value. Carrying amounts at June 30, 2011 are as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Totals</u>
Cash on hand	\$ 200	\$ 0	\$ 200
Bank deposits (checking and savings accounts)	477,970	303,117	781,087
Certificates of deposit	<u>200,000</u>	<u>280,604</u>	<u>480,604</u>
Total	<u>\$ 678,970</u>	<u>\$ 583,721</u>	<u>\$ 1,261,891</u>

State of Tennessee law authorizes the Town to invest in obligations of the United States or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the state treasurer's local government 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.

There are three categories of credit risk that apply to the Town's cash and investments:

1. Insured or collateralized with securities held by the Town or by its agent in the Town's name.
2. Collateralized with securities held by the pledging bank's trust department or agent in the Town's name.
3. Uncollateralized.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011

Bank balances held in each category are as follows:

Insured - FDIC	\$ 511,929
Insured – State of Tennessee Bank Collateral Pool	230,604
Collateralized with securities held by the pledging bank’s agent in the Town’s name	500,000
Uncollateralized	<u>72,909</u>
	<u>\$ 1,315,442</u>

NOTE D – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 was as follows:

	<u>Balance</u> <u>7/1/10</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/11</u>
Governmental Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 107,080	\$ 0	\$ 0	\$ 107,080
<u>Capital assets being depreciated</u>				
Buildings	386,059	0	0	386,059
Land improvements	70,732	0	0	70,732
Vehicles	230,087	51,823	0	281,910
Office equipment	10,378	5,988	0	16,366
Equipment	<u>508,032</u>	<u>10,000</u>	<u>0</u>	<u>518,032</u>
	1,205,288	67,811	0	1,273,099
<u>Accumulated depreciation</u>				
Buildings	(78,048)	(9,695)	0	(87,743)
Land improvements	(9,657)	(3,584)	0	(13,241)
Vehicles	(121,587)	(15,475)	0	(137,062)
Office equipment	(10,378)	(399)	0	(10,777)
Equipment	<u>(266,429)</u>	<u>(26,319)</u>	<u>0</u>	<u>(292,749)</u>
	<u>(486,100)</u>	<u>(55,472)</u>	<u>0</u>	<u>(541,572)</u>
	<u>\$ 826,268</u>	<u>\$ 12,339</u>	<u>\$ 0</u>	<u>\$ 838,606</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011

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

General government	\$ 11,266
Public safety	23,985
Public welfare	8,492
Streets and highways	7,304
Solid waste collection and disposal	<u>4,424</u>
	<u>\$ 55,472</u>

	<u>Balance</u> <u>7/1/10</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/11</u>
Business-Type Activities:				
Water and Sewer Fund				
<u>Capital assets not being depreciated</u>				
Land	\$ 39,372	\$ 0	\$ 0	\$ 39,372
<u>Capital assets being depreciated</u>				
Buildings	76,568	0	0	76,568
Utility plant	3,719,425	0	0	3,719,425
Equipment	3,509,063	7,691	0	3,516,754
Vehicles	<u>13,585</u>	<u>0</u>	<u>0</u>	<u>13,585</u>
	7,318,641	7,691	0	7,326,332
<u>Accumulated depreciation</u>				
Buildings	(28,794)	(1,160)	0	(29,954)
Utility plant	(1,192,107)	(79,202)	0	(1,271,309)
Equipment	(1,155,408)	(84,560)	0	(1,239,968)
Vehicles	<u>(8,492)</u>	<u>(1,359)</u>	<u>0</u>	<u>(9,851)</u>
	<u>(2,384,801)</u>	<u>(166,281)</u>	<u>0</u>	<u>(2,551,082)</u>
	<u>\$ 4,973,213</u>	<u>\$ (158,590)</u>	<u>\$ 0</u>	<u>\$ 4,814,623</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011

	<u>Balance</u> <u>7/1/10</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/11</u>
Natural Gas Fund				
<u>Capital assets not being depreciated</u>				
Land	\$ 257	\$ 0	\$ 0	\$ 257
<u>Capital assets being depreciated</u>				
Utility plant	298,728	0	0	298,728
Vehicles	<u>27,582</u>	<u>0</u>	<u>0</u>	<u>27,582</u>
	326,310	0	0	326,310
<u>Accumulated depreciation</u>				
Utility plant	(233,243)	(6,793)	0	(240,037)
Vehicles	<u>(11,927)</u>	<u>(1,908)</u>	<u>0</u>	<u>(13,834)</u>
	<u>(245,170)</u>	<u>(8,701)</u>	<u>0</u>	<u>(253,871)</u>
	<u>\$ 81,397</u>	<u>\$ (8,701)</u>	<u>\$ 0</u>	<u>\$ 72,696</u>

NOTE E – LONG-TERM DEBT

Long-term debt at June 30, 2011, consisted of the following:

Governmental Activities:

Natural Gas Bond, Series 2001, variable interest rate due in annual installments of varying amounts including interest through 2020	\$ 180,977
Note payable, due in monthly installments of \$858, including interest at 4.54%	<u>4,244</u> 185,220
Less current maturities	<u>(18,680)</u>
	<u>\$ 166,540</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011

Business-Type Activities:

Water and Sewer Revenue Bonds, Series 2001 due in monthly installments of \$2,724, including interest at 4.75%	\$ 495,347
Natural Gas Bond, Series 2001, variable interest rate due in annual installments of varying amounts, including interest through 2021	195,117
2006 State Revolving Fund Loan, interest rate of 0.00% due in monthly payments of \$933 until 2027	<u>183,782</u>
	874,245
Less current maturities	<u>(36,014)</u>
	<u>\$ 838,231</u>

Maturities of long-term debt as of June 30, 2011 are as follows:

Governmental Activities:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 18,680	\$ 6,381	\$ 25,061
2013	14,917	5,829	20,746
2014	15,398	5,307	20,705
2015	15,880	4,768	20,648
2016	16,361	4,212	20,573
2017	17,323	3,639	20,962
2018	17,804	3,033	20,837
2019	18,286	2,410	20,696
2020	19,248	1,770	21,018
2021	19,729	1,096	20,825
2022	<u>11,594</u>	<u>406</u>	<u>12,000</u>
	<u>\$ 185,220</u>	<u>\$ 38,851</u>	<u>\$ 224,071</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011

Business-Type Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 36,014	\$ 30,263	\$ 66,277
2013	36,983	29,269	66,252
2014	37,972	28,235	66,207
2015	38,986	27,159	66,145
2016	40,021	26,043	66,064
2017	41,603	24,882	66,485
2018	42,690	23,660	66,350
2019	43,807	22,391	66,198
2020	45,470	21,074	66,544
2021	46,646	19,691	66,337
2022	38,560	18,259	56,819
2023	26,785	17,099	43,884
2024	27,542	16,342	43,884
2025	28,335	15,549	43,884
2026	29,167	14,717	43,884
2027	30,040	13,844	43,884
2028	24,404	12,930	37,334
2029	20,718	11,970	32,688
2030	21,723	10,965	32,688
2031	22,778	9,910	32,688
2032	23,884	8,804	32,688
2033	25,043	7,645	32,688
2034	26,259	6,429	32,688
2035	27,534	5,154	32,688
2036	28,871	3,817	32,688
2037	30,272	2,416	32,688
2038	31,742	946	32,688
2039	<u>396</u>	<u>10</u>	<u>406</u>
	<u>\$ 874,245</u>	<u>\$ 429,473</u>	<u>\$ 1,303,718</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011

Changes in long-term debt for the year ended June 30, 2011 were as follows:

	<u>Balance</u> <u>7/1/10</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/11</u>	<u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Natural Gas Bond, Series 2001	\$ 194,931	\$ 0	\$ 13,955	\$ 180,977	\$ 14,436
Note payable	<u>14,108</u>	<u>0</u>	<u>9,864</u>	<u>4,244</u>	<u>4,244</u>
	<u>\$ 209,039</u>	<u>\$ 0</u>	<u>\$ 23,819</u>	<u>\$ 185,220</u>	<u>\$ 18,680</u>
<u>Business-Type Activities:</u>					
Water and Sewer Revenue Bonds, Series 2001	\$ 504,173	\$ 0	\$ 8,826	\$ 495,347	\$ 9,254
Natural Gas Bond, Series 2001	210,161	0	15,045	195,117	15,564
2006 State Revolving Fund Loan	<u>194,978</u>	<u>0</u>	<u>11,196</u>	<u>183,782</u>	<u>11,196</u>
	<u>\$ 909,312</u>	<u>\$ 0</u>	<u>\$ 35,067</u>	<u>\$ 874,246</u>	<u>\$ 36,014</u>

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

Amounts due from and due to other funds at June 30, 2011 are summarized as follows:

Due To	Due From		Totals
	General Fund	Water and Sewer Fund	
Governmental Activities:			
Drug Fund	\$ 10,000	\$ 0	\$ 10,000
General Fund	0	5,087	5,087
Business-Type Activities:			
Natural Gas Fund	0	3,188	3,188
	\$ 10,000	\$ 8,275	\$ 18,275

NOTE G - RETIREMENT PLAN

The Town has a defined contribution retirement plan for all eligible employees. The plan provides for employer matching contributions up to three percent of total wages. Employees who have received at least \$5,000 in compensation during any of the two immediately preceding years and who are expected to receive at least \$5,000 in compensation during the current year are eligible to participate in the plan. Retirement expense for the year ended June 30, 2011 was \$6,293.

NOTE H - 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 Insurance Risk Pool and pays an annual premium to the pool for its workers' compensation, general liability coverage, destruction of property and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows the pool to make additional assessments or refund surplus revenues to the Town. It is not possible to estimate the amount of such additional assessments or refunds.

TOWN OF ENGLEWOOD, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011

NOTE I - RECLASSIFICATION

During the year ended June 30, 2011, the Town implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Town reclassified the Solid Waste Management Fund from a Special Revenue fund to the General Fund. The Solid Waste Management Fund fund balance as of June 30, 2010 of \$122,076 was combined into the General Fund fund balance. As of July 1, 2010, all solid waste activities are reported in the General Fund.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF ENGLEWOOD, TENNESSEE

REVENUE AND EXPENDITURES - SOLID WASTE ACTIVITIES

Year Ended June 30, 2011

REVENUE

Charges for services	\$ 60,691
Interest earned	1,133
Miscellaneous	<u>990</u>

TOTAL REVENUE 62,814

EXPENDITURES

Salaries and wages	\$ 23,357
OASDI employer's share	1,751
Employee benefits	139
Accounting and auditing services	2,500
Repairs and maintenance	1,589
Landfill services	9,360
Office supplies	3,127
Gas, oil and grease	4,236
Insurance	<u>4,000</u>

TOTAL EXPENDITURES 50,058

**EXCESS OF REVENUE
OVER EXPENDITURES** \$ 12,756

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

INVESTMENTS

June 30, 2011

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
<u>General Fund – Certificates of Deposit</u>			
Citizens Bank	1.27%	5/18/12	\$ 100,000
<u>Solid Waste Management Fund – Certificate of Deposit</u>			
Citizens Bank	1.27%	5/18/12	100,000
<u>Water and Sewer Fund – Certificate of Deposit</u>			
Citizens Bank	1.27%	5/18/12	80,604
<u>Natural Gas Fund – Certificate of Deposit</u>			
Citizens Bank	1.27%	5/18/12	<u>200,000</u>
			<u>\$ 480,604</u>

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2011

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2010</u>
2011	\$ 1.162	\$ 15,324,319	\$ 178,131	\$ 0
2010	\$ 1.162	\$ 15,038,514	174,739	174,739
2009	1.162	15,348,718	178,367	13,801
2008	1.44	12,222,148	177,491	2,624
2007	1.44	12,250,553	176,408	738
2006	1.44	12,168,483	175,226	71
2005	1.44	12,036,208	173,321	<u>71</u>
				<u>\$ 192,044</u>

Property taxes unpaid for 2007 through 2009 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, 2011</u>
\$ 178,131	\$ 0	\$ 0	\$ 178,131
0	1,143	159,093	14,503
0	0	9,120	4,681
0	0	1,638	986
0	0	423	315
0	0	71	0
<u>0</u>	<u>0</u>	<u>71</u>	<u>0</u>
<u>\$ 178,131</u>	<u>\$ 1,143</u>	<u>\$ 170,416</u>	<u>\$ 198,617</u>

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2011

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
Natural Gas Bond, Series 2001			
Year ending June 30,			
2012	\$ 14,436	\$ 6,334	\$ 20,770
2013	14,917	5,829	20,746
2014	15,398	5,307	20,705
2015	15,880	4,768	20,648
2016	16,361	4,212	20,573
2017	17,323	3,639	20,962
2018	17,804	3,033	20,837
2019	18,286	2,410	20,696
2020	19,248	1,770	21,018
2021	19,729	1,096	20,825
2022	11,594	406	12,000
	<u>\$ 180,976</u>	<u>\$ 38,804</u>	<u>\$ 219,780</u>
Note payable			
Year ending June 30,			
2012	<u>\$ 4,244</u>	<u>\$ 47</u>	<u>\$ 4,291</u>

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2011

	<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,			
2012	\$ 9,254	\$ 23,434	\$ 32,688
2013	9,704	22,984	32,688
2014	10,175	22,513	32,688
2015	10,669	22,019	32,688
2016	11,186	21,502	32,688
2017	11,730	20,958	32,688
2018	12,299	20,389	32,688
2019	12,896	19,792	32,688
2020	13,522	19,166	32,688
2021	14,179	18,509	32,688
2022	14,867	17,821	32,688
2023	15,589	17,099	32,688
2024	16,346	16,342	32,688
2025	17,139	15,549	32,688
2026	17,971	14,717	32,688
2027	18,844	13,844	32,688
2028	19,758	12,930	32,688
2029	20,718	11,970	32,688
2030	21,723	10,965	32,688

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2011

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Water and Sewer Revenue Bonds, Series 2001 (continued)			
Year ending June 30,			
2031	22,778	9,910	32,688
2032	23,884	8,804	32,688
2033	25,043	7,645	32,688
2034	26,259	6,429	32,688
2035	27,534	5,154	32,688
2036	28,871	3,817	32,688
2037	30,272	2,416	32,688
2038	31,742	946	32,688
2039	395	10	405
	<u>\$ 495,347</u>	<u>\$ 387,634</u>	<u>\$ 882,981</u>

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2011

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2006 State Revolving Fund Loan			
Year ending June 30,			
2012	\$ 11,196	\$ 0	\$ 11,196
2013	11,196	0	11,196
2014	11,196	0	11,196
2015	11,196	0	11,196
2016	11,196	0	11,196
2017	11,196	0	11,196
2018	11,196	0	11,196
2019	11,196	0	11,196
2020	11,196	0	11,196
2021	11,196	0	11,196
2022	11,196	0	11,196
2023	11,196	0	11,196
2024	11,196	0	11,196
2025	11,196	0	11,196
2026	11,196	0	11,196
2027	11,196	0	11,196
2028	4,646	0	4,646
	<u>\$ 183,782</u>	<u>\$ 0</u>	<u>\$ 183,782</u>

TOWN OF ENGLEWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2011

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Natural Gas Bond, Series 2001			
Year ending June 30,			
2012	\$ 15,564	\$ 6,829	\$ 22,393
2013	16,083	6,285	22,368
2014	16,601	5,722	22,323
2015	17,121	5,140	22,261
2016	17,639	4,541	22,180
2017	18,677	3,923	22,600
2018	19,195	3,270	22,465
2019	19,714	2,599	22,313
2020	20,752	1,908	22,660
2021	21,271	1,182	22,453
2022	12,499	440	12,939
	<u>\$ 195,116</u>	<u>\$ 41,839</u>	<u>\$ 236,955</u>

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2011

<u>CFDA Number</u>	<u>Project Number</u>	<u>Program Name</u>	<u>Federal Grantor/ Pass-Through Grantor</u>
14.228	GG-09-28320-00	CDBG Sewer System Improvements I & I	U.S. Department of Housing and Urban Development/ Tennessee Department of Economic and Community Development
20.600	K8-10-42	High Visibility Law Enforcement	U.S. Department of Transportation/ Tennessee Department of Transportation

See the accompanying independent accountants' audit report.

<u>Receivable July 1, 2010</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable June 30, 2011</u>
\$ 25,715	\$ 25,715	\$ 0	\$ 0
<u>0</u>	<u>10,000</u>	<u>10,000</u>	<u>0</u>
<u>\$ 25,715</u>	<u>\$ 35,715</u>	<u>\$ 10,000</u>	<u>\$ 0</u>

TOWN OF ENGLEWOOD, TENNESSEE

INSURANCE COVERAGE

June 30, 2011

<u>Description</u>	<u>Amount of Coverage</u>
Property insurance - fire and extended coverage on building and contents	\$ 7,147,393
Automobile coverage	
Collision	Cash value/repair costs
Comprehensive	Cash value/repair costs
Liability insurance	
Comprehensive general	\$ 300,000
Law enforcement	700,000
Automobile	100,000
Errors and omissions (\$2,500 deductible)	1,000,000
Bonds	
Public official bond	50,000
Employee dishonesty bond	100,000
Forgery, altercation, theft, disappearance, destruction or computer fraud	100,000
Worker's compensation	
Employer liability - statutory	700,000

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

June 30, 2011

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

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

Number of Metered Customers

 Water – 1,416

 Sewer – 589

NATURAL GAS

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

Number of Metered Customers - 293

See the accompanying independent accountants' audit report.

TOWN OF ENGLEWOOD, TENNESSEE

UNACCOUNTED FOR WATER

June 30, 2011

(All amounts in gallons)

Water Treated and Purchased:

Water pumped (potable)	75,465,000
Water purchased	<u>41,202,000</u>
	116,667,000

Accounted for Water:

Water sold	62,776,800
Metered for consumption (in house usage)	17,419,594
Fire department usage	207,800
Flushing	6,826,600
Tank cleaning and filling	500,000
Street cleaning	0
Bulk sales	0
Water bill adjustments	<u>0</u>
Total Accounted for Water	<u>87,723,794</u>

Unaccounted for Water 28,936,206

Percent Unaccounted for Water 25%

Other: 0

Explain Other: N/A

All amounts included in this schedule are supported by documentation on file at the Town. If no support is on file for a line item or if the line item is not applicable, a "0" is shown.

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Town of Englewood, Tennessee as of and for the year ended June 30, 2011 and have issued our report thereon dated November 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted a certain matter that we reported to management of Town of Englewood, Tennessee in a separate letter dated November 14, 2011.

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

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

November 14, 2011