

City of Munford, Tennessee

**Financial Statements and
Supplementary Information**

Year Ended June 30, 2016



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Introductory Section

**CITY OFFICIALS
JUNE 30, 2016**

Mayor

Dwayne Cole

Aldermen

Sue Arthur

Johnny Crigger

Ray Deneka

Jack Bomar

Jack Foraker

Bob Forbess

Department Heads

Recorder

Police Chief

Fire Chief

City Manager

Director of Public Works

Director of Parks and Recreation

Sherry Yelvington

Jim Harger

Alan Barkelew

Peter Colin (CMFO designee)

Mark Walker

Glenn Beard

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Aldermen of the
City of Munford, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Munford, Tennessee, (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements, individual fund schedules, and other supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining financial statements, individual fund schedules, and the schedule of expenditures of federal awards and state financial assistance 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements, individual fund schedules, and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and supporting schedules on pages 52-57 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Memphis, Tennessee
July 25, 2017

Financial Section

City of Munford, Tennessee
Management's Discussion and Analysis - Year Ended June 30, 2016

As management of the City of Munford, Tennessee (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in the basic financial statements and the accompanying notes to those financial statements. All amounts, unless otherwise indicated, are expressed in actual dollars. Comparative analyses of key elements of total governmental funds and total enterprise funds have been provided.

Financial Highlights

Management believes the City's financial condition is strong. The following are key highlights.

- The net position of the City at the close of the most recent fiscal year amounted to \$24,998,406. Of this amount, \$8,746,143 (unrestricted net position) may be used to meet the government's ongoing obligation to citizens and creditors.
- At June 30, 2016, the City's governmental funds reported total ending unassigned fund balances of \$1,373,930, an increase of \$53,539 in comparison with the prior year. This amount is available for spending at the government's discretion.
- At June 30, 2016, unrestricted fund balance for the governmental activities funds was \$1,371,581 or 35% of total governmental activities expenditures.
- The City's total debt decreased by \$379,607 during the year ended June 30, 2016. Of this amount, governmental activity debt decreased by \$117,547, and proprietary fund long-term debt decreased by \$262,060.
- The City's net capital assets decreased by \$279,003 during the year ended June 30, 2016.

Overview of the Financial Statements

Management's Discussion and Analysis ("MD&A") serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the City's financial condition and activities. Summary financial statement data, key financial and operational indicators, budgets, and other management tools were used for this analysis. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to 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, found on pages 10 through 12, are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents the financial position of the City on a full accrual, historical cost basis. The statement of net position provides information on all the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**City of Munford, Tennessee
Management's Discussion and Analysis - Year Ended June 30, 2016**

Both of the government-wide financial statements distinguish functions of the City 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 City include general government, public safety, solid waste, highways and streets, and health, welfare, and recreation. The business-type activities of the City include the operations of the water and sewer system and gas system.

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 City, 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 City 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 balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four individual governmental funds. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the general fund and for the aggregate of the other nonmajor governmental funds.

The City adopts an annual appropriations budget for its general and special revenue funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 and 15 of this report.

Proprietary funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Gas activities and Water and Sewer activities.

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

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

Notes to financial statements

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the government-wide and fund financial statements. The notes present information about the City's accounting policies, significant account balances and activities,

**City of Munford, Tennessee
Management's Discussion and Analysis - Year Ended June 30, 2016**

material risks, obligations, commitments, contingencies and subsequent events, if any. The notes to the financial statements can be found on pages 22 through 39 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents information concerning the City's progress in funding its obligation to provide pension benefits to its employees. The pension information can be found on pages 40 and 41 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, net position amounted to \$24,998,406 at the close of the most recent fiscal year.

The largest portion of the City's net position (61%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). The City uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Munford, Tennessee – Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other						
Assets	\$ 3,563,020	\$ 3,529,863	\$ 8,226,655	\$ 8,495,750	\$ 11,789,675	\$ 12,025,613
Capital assets.....	<u>7,121,857</u>	<u>7,149,387</u>	<u>13,083,791</u>	<u>13,335,264</u>	<u>20,205,648</u>	<u>20,484,651</u>
Total assets.....	<u>10,684,877</u>	<u>10,679,250</u>	<u>21,310,446</u>	<u>21,931,014</u>	<u>31,995,323</u>	<u>32,510,264</u>
Deferred outflows.....	<u>80,209</u>	<u>74,867</u>	<u>59,080</u>	<u>66,063</u>	<u>139,289</u>	<u>140,930</u>
Long-term liabilities						
outstanding.....	1,104,746	1,225,566	3,319,679	3,677,189	4,424,425	4,902,755
Other liabilities.....	<u>412,010</u>	<u>462,119</u>	<u>889,886</u>	<u>782,857</u>	<u>1,301,896</u>	<u>1,244,976</u>
Total liabilities.....	<u>1,507,728</u>	<u>1,687,685</u>	<u>4,215,273</u>	<u>4,460,046</u>	<u>5,723,001</u>	<u>6,147,731</u>
Deferred inflows	<u>1,307,752</u>	<u>1,319,696</u>	<u>105,453</u>	<u>142,784</u>	<u>1,413,205</u>	<u>1,462,480</u>
Net Position						
Net investment in						
capital assets	5,896,291	5,806,274	9,309,814	9,308,763	15,206,105	15,115,037
Restricted.....	681,734	572,156	364,424	471,206	1,046,158	1,043,362
Unrestricted.....	<u>1,371,581</u>	<u>1,368,306</u>	<u>7,374,562</u>	<u>7,514,278</u>	<u>8,746,143</u>	<u>8,882,584</u>
Total Net						
Position.....	<u>\$ 7,949,606</u>	<u>\$ 7,746,736</u>	<u>\$ 17,048,800</u>	<u>\$ 17,294,247</u>	<u>\$ 24,998,406</u>	<u>\$ 25,040,983</u>

At year-end \$1,046,158 of the City's net position represented resources that are subject to external restrictions on how they may be used. The unrestricted net position \$8,746,143 may be used to meet the government's ongoing obligations to citizens and creditors.

**City of Munford, Tennessee
Management's Discussion and Analysis - Year Ended June 30, 2016**

City of Munford, Tennessee – Changes in Net Position

	Governmental Activities		Business -Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for services.....	\$ 918,783	\$ 1,181,634	\$ 4,990,627	\$ 6,568,736	\$ 5,909,410	\$ 7,750,370
Operating grants and contributions.....	36,100	85,689	-	-	36,100	85,689
Capital grants and contributions.....	117,711	291,541	-	-	117,711	291,541
General revenues						
Property taxes.....	1,100,184	1,036,392	-	-	1,100,184	1,036,392
Sales taxes.....	1,393,237	1,213,566	-	-	1,393,237	1,213,566
Alcoholic beverage taxes.....	109,019	94,658	-	-	109,019	94,658
TVA taxes.....	69,553	68,695	-	-	69,553	68,695
State income taxes.....	19,552	22,061	-	-	19,552	22,061
Cable TV taxes.....	16,187	18,848	-	-	16,187	18,848
County allocations.....	55,187	179,999	-	-	55,187	179,999
Telecommunications taxes.....	504	580	-	-	504	580
State reimbursements.....	7,800	7,800	-	-	7,800	7,800
Interest on investments.....	32,406	30,296	22,749	18,972	55,155	49,268
Insurance recoveries.....	7,419	29,957	1,385	-	8,804	29,957
Contributions.....	4,687	-	-	-	4,687	116,428
Other.....	40,998	116,428	20,596	-	61,594	116,428
Total revenues.....	<u>3,929,327</u>	<u>4,378,144</u>	<u>5,035,357</u>	<u>6,587,708</u>	<u>8,964,684</u>	<u>10,965,848</u>
Expenses						
General government.....	167,280	218,628	-	-	167,280	218,628
Public safety.....	2,196,353	2,025,808	-	-	2,196,353	2,025,808
Solid waste.....	321,301	151,737	-	-	321,301	151,737
Highways and streets.....	251,263	177,229	-	-	251,263	177,229
Parks and recreation.....	923,528	1,008,519	-	-	923,528	1,008,519
Interest.....	20,703	19,468	-	-	20,703	19,468
Gas.....	-	-	3,134,447	3,975,960	3,134,447	3,975,960
Water and sewer.....	-	-	1,992,386	1,934,677	1,992,386	1,934,677
Total expenses.....	<u>3,880,428</u>	<u>3,601,389</u>	<u>5,126,833</u>	<u>5,910,637</u>	<u>9,007,261</u>	<u>9,512,026</u>
Change in net position before transfers.....	48,899	776,755	(91,476)	677,071	(42,577)	1,453,826
Transfers.....	153,971	148,973	(153,971)	(148,973)	-	-
Change in net position.....	202,870	925,728	(245,447)	528,098	(42,577)	1,453,826
Net position - beginning.....	7,746,736	6,566,329	17,924,247	16,656,765	25,040,983	23,223,094
Prior period adjustment.....	-	254,679	-	109,384	-	364,063
Net position - ending.....	<u>\$ 7,949,606</u>	<u>\$ 7,746,736</u>	<u>\$ 17,048,800</u>	<u>\$ 17,294,247</u>	<u>\$ 24,998,406</u>	<u>\$25,040,983</u>

The City's net position decreased by \$42,577 during the current fiscal year. The decrease is mainly a result of normal operations of the City.

Governmental activities

Governmental activities increased the City of Munford's net position by \$202,870. The increase was mainly attributable to State Street Aid funds of \$138,261 left unspent in FY2016 in order to accumulate for a larger paving project.

Business-type activities

Business-type activities decreased the City's net position by \$245,447. The decrease was mainly attributable an unseasonably warm winter resulting in decreased natural gas usage that was offset by only a minimal decrease in

**City of Munford, Tennessee
Management's Discussion and Analysis - Year Ended June 30, 2016**

expenses as well as lower than expected revenues in the water and sewer fund. Looking forward, the City is increasing water rates in July 2017 to compensate for the large loss in the water and sewer fund.

Financial Analysis of the Government's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City'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.

As of the end of the current fiscal year, the City's governmental funds reported ending fund balances of \$2,119,813 an increase of \$175,355 in comparison with the prior year. Of the total amount of governmental fund balances presented, \$1,373,930 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 37% of the total General Fund expenditures.

The unassigned fund balance of the City's General Fund increased \$38,803 during the current fiscal year.

Proprietary funds

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

The unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$135,141. The system's unrestricted net position decreased by \$79,957 as a result of lower than expected revenue.

The unrestricted net position of the Gas Fund at the end of the fiscal year amounted to \$7,239,421. The system's unrestricted net position decreased by \$59,759 due to an unseasonably warm winter which reduced gas usage

General Fund Budgetary Highlights

During the fiscal year, total expenditures exceeded revenues by \$104,942, which was \$177,756 less than the final budgeted excess change of \$72,814. Actual total revenue and other financing sources were \$62,819 lower than the final budgeted total revenue and other financing sources, representing a negative budget variance, due to lower than expected local taxes and parks and recreation revenue. Actual total expenditures were \$114,937 higher than the final budgeted total expenditures, representing a negative budget variance, due to a change in the allocation method of salary and overhead expenses.

Capital Asset and Debt Administration

At the end of fiscal year 2016, the City had \$20,205,648 (net of accumulated depreciation) invested in a broad range of capital assets. This investment includes land and land improvements, intangibles, buildings, utility system, equipment, and infrastructure. The total net decrease in the City's net investment in capital assets for the current period amounted to \$279,003, or a decrease of 1.4%.

**City of Munford, Tennessee
Management's Discussion and Analysis - Year Ended June 30, 2016**

The following table summarizes the City's capital assets, net of accumulated depreciation, for the years ended June 30, 2016 and 2015.

City of Munford, Tennessee - Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,076,286	\$ 1,076,286	\$ 1,177,619	\$ 1,100,147	\$ 2,253,905	\$ 2,176,433
Buildings.....	3,773,121	3,993,904	556,668	589,310	4,329,789	4,523,214
Vehicles and equipment	356,900	258,203	622,275	758,714	979,175	1,016,917
Utility system	-	-	10,504,143	10,873,293	10,504,143	10,873,293
Construction in progress	91,719	-	223,086	13,800	314,805	13,800
Infrastructure	1,823,831	1,880,994	-	-	1,823,831	1,880,994
Totals	<u>\$ 7,121,857</u>	<u>\$ 7,149,387</u>	<u>\$ 13,083,791</u>	<u>\$ 13,335,264</u>	<u>\$ 20,205,648</u>	<u>\$20,484,651</u>

Additional information on the City's capital assets can be found in Note 4 to the financial statements.

Long-term debt

At the end of the current fiscal year, the City had total debt outstanding of \$5,009,078. The City's total debt decreased \$379,607 during the current fiscal year. Additional information on the City's long-term debt can be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budget and Rates

Factors considered in preparing the City's budget for the 2017 fiscal year include the following:

- State and local tax revenues, as well as intergovernmental revenues, are expected to increase for fiscal year 2017.
- Energy fuel costs are expected to remain stable in all funds.
- The City performed a job classification analysis to adjust positions and titles to align with responsibilities and to adjust salaries to averages for those positions within our region. This resulted in a \$49,049 increase in salary/benefits city-wide.
- Expected increase in gas customers after the completion of an 8 mile gas line expansion in winter of 2016.

The City received a \$937,638 Multimodal Grant from the Tennessee Department of Transportation in June 2015 for the installation of approximately ¾ mile of sidewalks and crosswalks on the north side of SR-206. Actual project work is expected to begin in Fall of 2017

The City has approved a General Fund operating budget of \$4,360,958 for fiscal year 2017. The property tax rate is \$1.2261 per \$100 of assessed value of property.

Contacting The City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or requests for any additional information should be directed to the Office of the City Manager, City of Munford, 1397 Munford Avenue, Munford, Tennessee 38058.

Basic Financial Statements

City of Munford, Tennessee
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 2,271,871	\$ 4,289,664	\$ 6,561,535
Investments - certificates of deposit	197,111	2,421,527	2,618,638
Receivables, net			
Property taxes	1,197,285	-	1,197,285
Federal and state grants	71,583	-	71,583
Accounts	36,596	235,252	271,848
Unbilled accounts	-	135,116	135,116
Other	35,751	-	35,751
Due from other governments	257,729	1,149	258,878
Internal balances	(603,593)	600,273	(3,320)
Inventories	-	138,581	138,581
Prepaid expenses	11,985	5,015	17,000
Restricted assets			
Cash for construction projects	-	364,424	364,424
Cash for grant program	32,430	-	32,430
Capital assets not being depreciated	1,168,005	1,400,705	2,568,710
Capital assets being depreciated, net	5,953,852	11,683,086	17,636,938
Net pension asset	54,272	35,654	89,926
Total assets	<u>10,684,877</u>	<u>21,310,446</u>	<u>31,995,323</u>
Deferred outflows of resources			
Pension contributions subsequent to measurement date	80,209	49,545	129,754
Unamortized loss on refunding of bonds	-	9,535	9,535
Total deferred outflows of resources	<u>80,209</u>	<u>59,080</u>	<u>139,289</u>
Total assets and deferred outflows of resources	<u>\$ 10,765,086</u>	<u>\$ 21,369,526</u>	<u>\$ 32,134,612</u>

City of Munford, Tennessee
Statement of Net Position (continued)
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable and accrued liabilities	\$ 173,850	\$ 175,298	\$ 349,148
Accrued interest payable	1,469	5,961	7,430
Due to others	2,575	-	2,575
Deposits	-	131,662	131,662
Other Liabilities			
Expected to be paid within one year	113,296	-	113,296
Bonds payable			
Due within one year	120,820	463,833	584,653
Due in more than one year	1,104,746	3,319,679	4,424,425
Deposits payable from restricted assets	-	110,913	110,913
Unearned revenue	-	2,219	2,219
Total liabilities	<u>1,507,728</u>	<u>4,215,273</u>	<u>5,723,001</u>
Deferred inflows of resources			
Property tax	1,160,145	-	1,160,145
Actuarial losses - pension	128,962	64,428	193,390
Net investment earnings - pension	18,645	41,025	59,670
Total deferred inflows of resources	<u>1,307,752</u>	<u>105,453</u>	<u>1,413,205</u>
Net position			
Net investment in capital assets	5,896,291	9,309,814	15,206,105
Restricted for			
Public safety	24,990	-	24,990
Solid waste	130,601	-	130,601
Highways and streets	526,143	-	526,143
Utility development	-	364,424	364,424
Unrestricted	1,371,581	7,374,562	8,746,143
Total net position	<u>7,949,606</u>	<u>17,048,800</u>	<u>24,998,406</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 10,765,086</u>	<u>\$ 21,369,526</u>	<u>\$ 32,134,612</u>

City of Munford, Tennessee
Statement of Activities
Year Ended June 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental activities							
General government	\$ 167,280	\$ 22,088	\$ -	\$ -	\$ (145,192)	\$ -	\$ (145,192)
Public safety	2,196,353	153,884	36,100	7,413	(1,998,956)	-	(1,998,956)
Solid waste	321,301	301,761	-	-	(19,540)	-	(19,540)
Highways and streets	251,263	-	-	110,298	(140,965)	-	(140,965)
Health, welfare and recreation	923,528	441,050	-	-	(482,478)	-	(482,478)
Interest on long-term debt	20,703	-	-	-	(20,703)	-	(20,703)
Total governmental activities	3,880,428	918,783	36,100	117,711	(2,807,834)	-	(2,807,834)
Business-type activities							
Water and sewer system	1,992,386	1,796,990	-	-	-	(195,396)	(195,396)
Gas system	3,134,447	3,193,637	-	-	-	59,190	59,190
Total business-type activities	5,126,833	4,990,627	-	-	-	(136,206)	(136,206)
Total	\$ 9,007,261	\$ 5,909,410	\$ 36,100	\$ 117,711	(2,807,834)	(136,206)	(2,944,040)
General revenues							
Taxes:							
Property taxes							
					1,100,184	-	1,100,184
Local sales tax							
					738,825	-	738,825
Wholesale beer tax							
					106,040	-	106,040
Mixed drink tax							
					85	-	85
Cable TV tax							
					16,187	-	16,187
Intergovernmental revenues:							
State sales tax							
					479,397	-	479,397
State income tax							
					19,552	-	19,552
State beer tax							
					2,894	-	2,894
Petroleum special							
					12,058	-	12,058
Telecommunications tax							
					504	-	504
TVA tax							
					69,553	-	69,553
State reimbursements							
					7,800	-	7,800
County allocations							
					55,187	-	55,187
Miscellaneous							
					20,556	-	20,556
Gasoline and motor fuel tax							
					111,692	-	111,692
\$.03 gasoline tax							
					33,315	-	33,315
1989 gasoline tax increase							
					17,950	-	17,950
Miscellaneous:							
Interest income							
					32,406	22,749	55,155
Miscellaneous							
					20,442	20,596	41,038
Contributions							
					4,687	-	4,687
Insurance recoveries							
					7,419	1,385	8,804
Total general revenues							
					2,856,733	44,730	2,901,463
Transfers							
					153,971	(153,971)	-
Change in net position							
					202,870	(245,447)	(42,577)
Net position - July 1, 2015							
					<u>7,746,736</u>	<u>17,294,247</u>	<u>25,040,983</u>
Net position - June 30, 2016							
					<u>\$ 7,949,606</u>	<u>\$ 17,048,800</u>	<u>\$ 24,998,406</u>

See notes to financial statements.

City of Munford, Tennessee
Balance Sheet - Governmental Funds
June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 1,775,021	\$ 496,850	\$ 2,271,871
Investments - certificates of deposit	197,111	-	197,111
Prepaid expenses	11,985	-	11,985
Taxes receivable, net	1,197,285	-	1,197,285
Accounts receivable, net	-	36,596	36,596
Grants receivable	71,583	-	71,583
Receivable - other	35,751	-	35,751
Due from other funds	354,759	94,005	448,764
Receivables from other governments	228,079	29,650	257,729
Total current unrestricted assets	<u>3,871,574</u>	<u>657,101</u>	<u>4,528,675</u>
Restricted cash for grant program	32,430	-	32,430
Total assets	<u>\$ 3,904,004</u>	<u>\$ 657,101</u>	<u>\$ 4,561,105</u>
Liabilities			
Accounts payable	\$ 144,573	\$ 1,901	\$ 146,474
Accrued liabilities	27,376	-	27,376
Due to others	-	2,575	2,575
Due to other funds	1,000,855	42,474	1,043,329
Total liabilities	<u>1,172,804</u>	<u>46,950</u>	<u>1,219,754</u>
Deferred inflow of resources			
Property taxes	1,185,087	-	1,185,087
Miscellaneous	36,451	-	36,451
Total deferred inflow of resources	<u>1,221,538</u>	<u>-</u>	<u>1,221,538</u>
Fund balance			
Nonspendable			
Restricted	11,985	-	11,985
Solid waste	-	130,601	130,601
Street expenditures	-	459,500	459,500
Drug enforcement	-	20,050	20,050
Grant programs	71,583	-	71,583
Assigned			
Library expenditures	52,164	-	52,164
Unassigned	1,373,930	-	1,373,930
Total fund balance	<u>1,509,662</u>	<u>610,151</u>	<u>2,119,813</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 3,904,004</u>	<u>\$ 657,101</u>	<u>\$ 4,561,105</u>

City of Munford, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016

Total fund balances, governmental funds	\$ 2,119,813
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds.	7,121,857
Interest payable on debt does not require current financial resources, and; therefore, are not reported in the funds.	(1,469)
Long-term liabilities including bonds payable and compensated absences are not due and payable in the current period and; therefore, are not reported in the funds.	(1,338,862)
Pension assets result from the excess of trust assets over total pension liabilities, the net of which is reported as net pension asset, deferred outflows of resources, and deferred inflows of resources in the statement of net position. These amounts are not available for use in the current period; therefore, are not reported in the funds.	(13,126)
Some revenues will not be collected for more than two months after the City's fiscal year end and are reported as unavailable revenues in the funds.	
Property taxes	24,942
Miscellaneous	36,451
Net position of governmental activities	<u><u>\$ 7,949,606</u></u>

City of Munford, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
Year Ended June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Local taxes	\$ 2,027,937	\$ -	\$ 2,027,937
Licenses and permits	22,088	-	22,088
Intergovernmental revenues	923,280	162,957	1,086,237
Charges for services	455,334	301,761	757,095
Fines and forfeitures	108,373	9,252	117,625
Miscellaneous revenues	48,379	1,493	49,872
Contributions	4,687	-	4,687
Total revenues	3,590,078	475,463	4,065,541
Expenditures			
General government	135,465	-	135,465
Public safety	2,049,984	1,990	2,051,974
Solid waste	-	321,301	321,301
Highways and streets	87,772	26,100	113,872
Health, welfare and recreation	880,768	-	880,768
Capital expenditures	402,639	7,165	409,804
Debt Service			
Principal retirement	117,547	-	117,547
Interest and fiscal charges	20,845	-	20,845
Total expenditures	3,695,020	356,556	4,051,576
Excess of revenues over expenditures	(104,942)	118,907	13,965
Other financing sources			
Transfers in	153,971	-	153,971
Insurance recoveries	7,419	-	7,419
Total other financing sources	161,390	-	161,390
Net change in fund balance	56,448	118,907	175,355
Fund balance - July 1, 2015	1,453,214	491,244	1,944,458
Fund balance - June 30, 2016	<u>\$ 1,509,662</u>	<u>\$ 610,151</u>	<u>\$ 2,119,813</u>

City of Munford, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
June 30, 2016

Net change in fund balance, total governmental funds \$ 175,355

Amounts reported for governmental activities in the statement of activities are different because:

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 as depreciation expense.

Capital outlays capitalized	329,323
Depreciation expense	(356,853)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position.

Bonds payable principal payments	117,547
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Accrued interest expense related to the bonds payable are reported in the statement of activities, but does not require the use of current financial resources; therefore, this item is not reported as expenditures of governmental funds. This is the net difference between the amounts accrued in the current and prior year .

	142
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Payments of contributions to the City's pension plan are recorded as expenditures in the governmental funds. Pension expense is recorded on an actuarially determined basis in the statement of activities. This amount represents the difference between actual contributions and the acuarially determined pension expense.

	75,305
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Some expenses and net financing sources (uses) reported in the statement of activities do not require the use of current financial resources and; therefore, are not reported as expenditures or revenues in governmental funds.

	5,684
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Some revenues will not be collected for several months after the City's fiscal year end and are reported as unavailable revenues in the funds. This is the net difference between the amounts unavailable in the current and prior year.

	(143,633)
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Change in net position of governmental activities \$ 202,870

City of Munford, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Local taxes	\$ 1,917,441	\$ 2,061,204	\$ 2,027,937	\$ (33,267)
Licenses and permits	17,570	22,088	22,088	-
Intergovernmental revenues	713,319	923,280	923,280	-
Charges for services	490,200	479,299	455,334	(23,965)
Fines and forfeitures	99,500	118,448	108,373	(10,075)
Miscellaneous revenues	20,000	43,891	48,379	4,488
Contributions	1,000	4,687	4,687	-
Total revenues	<u>3,259,030</u>	<u>3,652,897</u>	<u>3,590,078</u>	<u>(62,819)</u>
Expenditures				
General government				
Legislative	27,464	32,919	25,439	(7,480)
Judicial	10,578	5,781	5,781	-
Administrative	12,733	(23,224)	70,188	93,412
Code enforcement	34,262	34,057	34,057	-
Total general government	<u>85,037</u>	<u>49,533</u>	<u>135,465</u>	<u>85,932</u>
Public safety				
Police	1,151,453	1,143,747	1,143,747	-
Fire	836,778	878,614	878,613	(1)
Community development	9,670	(1,400)	27,624	29,024
Total public safety	<u>1,997,901</u>	<u>2,020,961</u>	<u>2,049,984</u>	<u>29,023</u>
Highways and streets				
Streets	156,161	87,772	87,772	-
Total highways and streets	<u>156,161</u>	<u>87,772</u>	<u>87,772</u>	<u>-</u>
Health, welfare, and recreation				
Parks and recreation	432,961	475,280	475,280	-
Centennial park	267,092	276,578	276,578	-
Library	93,152	83,238	83,220	(18)
Tipton plaza	32,450	42,269	42,269	-
Hope park	3,362	3,421	3,421	-
Total health, welfare and recreation	<u>829,017</u>	<u>880,786</u>	<u>880,768</u>	<u>(18)</u>
Capital				
Capital expenditures	186,925	402,639	402,639	-
Debt service				
Principal retirement	114,278	117,547	117,547	-
Interest and fiscal charges	53,293	20,845	20,845	-
Total debt service	<u>167,571</u>	<u>138,392</u>	<u>138,392</u>	<u>-</u>
Total expenditures	<u>3,422,612</u>	<u>3,580,083</u>	<u>3,695,020</u>	<u>114,937</u>
Excess (deficiency) of revenues over expenditures	(163,582)	72,814	(104,942)	(177,756)
Other financing sources				
Transfers in	152,000	153,971	153,971	-
Insurance recoveries	-	7,419	7,419	-
Total other financing sources	<u>152,000</u>	<u>161,390</u>	<u>161,390</u>	<u>-</u>
Net change in fund balance	<u>\$ (11,582)</u>	<u>\$ 234,204</u>	56,448	<u>\$ (177,756)</u>
Fund balance- July 1, 2015			1,453,214	
Fund balance - June 30, 2016			<u>\$ 1,509,662</u>	

City of Munford, Tennessee
Statement of Net Position - Proprietary Funds
June 30, 2016

	Water and Sewer Fund	Gas Fund	Total
Assets			
Current assets			
Cash	\$ 178,324	\$ 4,111,340	\$ 4,289,664
Investments - certificates of deposit	207,179	2,214,348	2,421,527
Inventory	-	138,581	138,581
Prepaid expenses	83	4,932	5,015
Due from other funds	80,864	906,850	987,714
Due from other governments	1,149	-	1,149
Accounts receivable, net	123,212	112,040	235,252
Unbilled receivables	87,308	47,808	135,116
Total current unrestricted assets	678,119	7,535,899	8,214,018
Restricted cash for construction project	364,424	-	364,424
Total current assets	1,042,543	7,535,899	8,578,442
Noncurrent assets			
Capital assets			
Land	873,021	231,437	1,104,458
Construction in progress	11,231	211,855	223,086
Intangibles	300	72,861	73,161
Buildings and improvements	323,343	689,623	1,012,966
Vehicles and equipment	1,768,013	3,084,175	4,852,188
Utility plant in service	14,458,880	5,695,788	20,154,668
Less accumulated depreciation	(8,441,516)	(5,895,220)	(14,336,736)
Net capital assets	8,993,272	4,090,519	13,083,791
Net pension asset	14,665	20,989	35,654
Total noncurrent assets	9,007,937	4,111,508	13,119,445
Total assets	10,050,480	11,647,407	21,697,887
Deferred outflows of resources			
Pension contributions subsequent to measurement date	20,584	28,961	49,545
Unamortized loss on refunding of bonds	9,535	-	9,535
Total deferred outflows of resources	30,119	28,961	59,080
Total assets and deferred outflows of resources	\$ 10,080,599	\$ 11,676,368	\$ 21,756,967
Liabilities and net position			
Current liabilities			
Accounts payable	34,867	90,461	\$ 125,328
Accrued expenses	25,260	24,710	49,970
Accrued interest payable	5,604	357	5,961
Current portion of revenue bonds payable	324,364	139,469	463,833
Customer deposits	45,460	86,202	131,662
Due to other funds	312,285	80,864	393,149
Unearned Revenue	1,000	1,219	2,219
Total current liabilities	748,840	423,282	1,172,122
Noncurrent liabilities			
Long term revenue bonds, less current portion	2,766,245	553,434	3,319,679
Deposits payable from restricted assets	110,913	-	110,913
Total noncurrent liabilities	2,877,158	553,434	3,430,592
Total liabilities	3,625,998	976,716	4,602,714
Deferred inflows of resources			
Actuarial gains - pension	27,786	36,642	64,428
Net investment earnings - pension	15,052	25,973	41,025
Total deferred inflows of resources	42,838	62,615	105,453
Net position			
Net investment in capital assets	5,912,198	3,397,616	9,309,814
Restricted			
Utility development	364,424	-	364,424
Unrestricted	135,141	7,239,421	7,374,562
Total net position	6,411,763	10,637,037	17,048,800
Total liabilities, deferred inflows of resources, and net position	\$ 10,080,599	\$ 11,676,368	\$ 21,756,967

City of Munford, Tennessee
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
Year Ended June 30, 2016

	Water and Sewer Fund	Gas Fund	Total
Operating revenues			
Metered sales	\$ 1,634,970	\$ 3,010,470	\$ 4,645,440
Rent	16,000	-	16,000
Service Charges	146,020	133,556	279,576
Miscellaneous	-	49,611	49,611
Total operating revenues	<u>1,796,990</u>	<u>3,193,637</u>	<u>4,990,627</u>
Operating expenses			
Salaries and wages	287,979	438,333	726,312
Taxes and benefits	110,267	133,243	243,510
Utilities	229,899	26,469	256,368
Supplies for resale	-	1,467,307	1,467,307
Communication, subscription, and dues	12,998	31,200	44,198
Repairs and maintenance	52,252	35,663	87,915
Office supplies	1,166	2,291	3,457
Operating supplies	89,497	29,562	119,059
Repairs and maintenance supplies	45,667	38,501	84,168
Insurance	80,089	30,349	110,438
State fees and other charges	11,469	451	11,920
Depreciation	536,484	381,697	918,181
Professional services	35,609	62,425	98,034
Other contractual services	43,646	6,231	49,877
Travel	157	541	698
Miscellaneous	42,834	83,872	126,706
Allocations	327,897	358,326	686,223
Total operating expenses	<u>1,907,910</u>	<u>3,126,461</u>	<u>5,034,371</u>
Operating income	(110,920)	67,176	(43,744)
Non-operating revenues (expenses)			
Insurance recoveries	-	1,385	1,385
Interest income	9,791	12,958	22,749
Interest expense	(84,476)	(7,986)	(92,462)
Gain on disposal of capital assets	8,843	11,753	20,596
Total non-operating revenues (expenses)	<u>(65,842)</u>	<u>18,110</u>	<u>(47,732)</u>
Income before transfers	<u>(176,762)</u>	<u>85,286</u>	<u>(91,476)</u>
Transfers			
Transfers out - payment in lieu of taxes	(50,136)	(103,835)	(153,971)
Change in net position	(226,898)	(18,549)	(245,447)
Net position			
Balance at July 1, 2015	<u>6,638,661</u>	<u>10,655,586</u>	<u>17,294,247</u>
Balance at June 30, 2016	<u>\$ 6,411,763</u>	<u>\$ 10,637,037</u>	<u>\$ 17,048,800</u>

City of Munford, Tennessee
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2016

	Water and Sewer Fund	Gas Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ 1,788,478	\$ 3,193,636	\$ 4,982,114
Cash payments to suppliers	(980,229)	(2,180,386)	(3,160,615)
Cash payments to employees for services	(407,449)	(560,599)	(968,048)
Other cash receipts (payments)	-	1,386	1,386
Net cash provided by operating activities	<u>400,800</u>	<u>454,037</u>	<u>854,837</u>
Cash flows from noncapital financing activities			
Increase in due to/from other funds	<u>3,694</u>	<u>1,269,889</u>	<u>1,273,583</u>
Net cash used in noncapital financing activities	<u>3,694</u>	<u>1,269,889</u>	<u>1,273,583</u>
Cash flows from capital and related related financing activities			
Purchase of capital assets	(190,873)	(478,003)	(668,876)
Payments on principal of long-term debt	(314,988)	52,928	(262,060)
Proceeds on sale of capital assets	8,843	13,921	22,764
Interest and fee payments on long-term debt	(76,603)	(7,629)	(84,232)
Net cash used in capital and related financing activities	<u>(573,621)</u>	<u>(418,783)</u>	<u>(992,404)</u>
Cash flows from investing activities			
Proceeds from sales and maturities of investments	627	-	627
Interest received	8,674	3,489	12,163
Net cash provided by (used in) investing activities	<u>9,301</u>	<u>3,489</u>	<u>12,790</u>
Net increase (decrease) in cash	(159,826)	1,308,632	1,148,806
Cash - July 1, 2015	<u>702,574</u>	<u>2,802,708</u>	<u>3,505,282</u>
Cash - June 30, 2016	<u>\$ 542,748</u>	<u>\$ 4,111,340</u>	<u>\$ 4,654,088</u>

City of Munford, Tennessee
Statement of Cash Flows - Proprietary Funds (Continued)
Year Ended June 30, 2016

	<u>Water and Sewer Fund</u>	<u>Gas Fund</u>	<u>Total</u>
Reconciliation of ending cash to line items in statement of net position			
Unrestricted cash	\$ 178,324	\$ 4,111,340	\$ 4,289,664
Restricted cash	364,424	-	364,424
Total cash	<u>\$ 542,748</u>	<u>\$ 4,111,340</u>	<u>\$ 4,654,088</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (110,920)	\$ 67,176	\$ (43,744)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	536,484	381,697	918,181
Change in assets and liabilities			
(Increase) decrease in assets:			
Accounts receivable	(5,821)	4,410	(1,411)
Inventory	-	9,134	9,134
Prepaid expenses	(83)	(4,932)	(5,015)
Due from other governments	(701)	-	(701)
Increase (decrease) in liabilities:			
Accounts payable	1,743	6,450	8,193
Accrued expenses	(2,506)	12,972	10,466
Customer deposits	(1,990)	(3,630)	(5,620)
Net pension liability and related deferred inflows/ outflows of resources	(15,406)	(19,844)	(35,250)
Other	-	604	604
Total adjustments	<u>511,720</u>	<u>386,861</u>	<u>898,581</u>
Net cash provided by operating activities	<u>\$ 400,800</u>	<u>\$ 454,037</u>	<u>\$ 854,837</u>
Supplemental schedule of noncash capital and related financing activities:			
Interest expense for amortization of deferred outflows of resources for loss on refunding of debt	<u>\$ 9,535</u>	<u>\$ -</u>	<u>\$ 9,535</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Munford, Tennessee (the “City”) is a municipal corporation governed by an elected mayor and a six-member board of aldermen. The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as codified by Governmental Accounting Standards Board (“GASB”) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance in Pre-November 30, 1989 FASB and AICPA Pronouncements*. As required by GAAP, these financial statements present the government and its component units, legally separate entities for which the City is considered to be financially accountable. Under GAAP, the City has determined that there are no component units for which the City is considered financially accountable, to be included in the City’s financial statements.

Government-Wide Financial Statements

The government-wide financial statements include a statement of net position and a statement of activities showing the changes in net position. These statements include all funds of the financial reporting entity differentiated by governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Governmental Fund Financial Statements

The governmental fund financial statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a set of self-balancing accounts which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures/expenses. Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances individually for all major governmental funds and in the aggregate for the remaining nonmajor funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The City has presented all major funds that met the quantitative or qualitative qualifications to be reported as a major fund.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. Transactions relating to resources obtained and used for delivery of those services traditionally provided by a municipal government, which are not accounted for in other funds, are accounted for in the General Fund. These services include, among other things, general government, public safety, highways and streets, and health, welfare and recreation.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

City of Munford, Tennessee
Notes to Financial Statements

The following comprise the City’s special revenue funds:

The **State Street Aid Fund** accounts for the receipts and expenditures of the City’s share of the State of Tennessee’s gasoline tax.

The **Solid Waste Fund** accounts for the receipts and expenditures of the City’s solid waste removal services.

The **Drug Fund** accounts for the receipt of and expenditures related to court drug fines and drug seizures.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

Enterprise Funds

Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to private sector businesses. The reporting entity includes the following enterprise funds:

The **Water and Sewer Fund** accounts for the activities associated with the water distribution system and the collection, transportation, treatment and disposal of wastewater.

The **Gas Fund** accounts for the activities associated with the government’s gas distribution operations.

Major and Non-Major Funds

The funds are further classified as major or non-major as follows:

Fund	Description
Major:	
General Fund	See above for description
Water and Sewer Fund	See above for description
Gas Fund	See above for description
Nonmajor:	
Special Revenues Funds	See above for individual funds and descriptions

GASB Accounting Pronouncements

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for periods beginning after June 15, 2015. The City determined this pronouncement was not applicable as all investments are certificates of deposit held by third party trustee banks.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

City of Munford, Tennessee
Notes to Financial Statements

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, those transactions between governmental and business-type activities have not been eliminated.

Measurement Focus

On the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the “economic resources” measurement focus. Accordingly, all of the City’s assets and liabilities, including capital assets as well as current year infrastructure assets and long-term liabilities, along with deferred inflows and outflows of resources, are included in the accompanying statement of net position. The statement of activities presents changes in net position.

Proprietary funds are accounted for using the “economic resources” measurement focus. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included in the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position.

In the fund financial statements, the “current financial resources” measurement focus or “economic resources” measurement focus is used as appropriate. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflow of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period. These funds use fund balance as their measure of available resources at the end of the period.

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred or economic asset used. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when earned. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, other local taxes, and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Proprietary funds utilize the accrual basis of accounting, whereby revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Budgetary Data

The revenues and expenditures accounted for in all governmental fund types are controlled by a formal integrated budgetary accounting system. The Board of Mayor and Aldermen annually approve the budgets for these funds.

City of Munford, Tennessee
Notes to Financial Statements

Budgetary control is maintained at the departmental level by line item, and expenditures may not exceed funds budgeted which constitute the legal spending limit. Unexpended appropriations lapse at year-end. The budget of the City is legally enacted through passage of an ordinance which reflects the total appropriated amounts for each department of each fund. The Mayor is authorized to transfer budgeted amounts within department. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds. The budgets have been amended in accordance with the ordinance policy resulting in budgeted expenditures, increasing \$157,471. The same basis of accounting is used to reflect actual revenue and expenditures recognized using accounting principles generally accepted in the United States of America.

Excess Expenditures over Appropriations

A negative variance appears in the General Fund Statement of Revenues, Expenditures, and Changed in Fund Balance – Budget to Actual in the amount of \$114,937 and in the Solid Waste Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual in the amount of \$21,681. The variances are the result of inaccurate allocations of allocable direct expenditures to other funds which resulted in negative allocations.

Restricted Assets

Certain proceeds of bond issues, certain resources set aside for their repayment, as well as certain other cash and investments are classified as restricted assets because their use is limited by applicable bond covenants and/or external parties. The City elects to use restricted assets before unrestricted assets when the situation arises where either can be used. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other less-restrictive classifications - committed and then assigned fund balances - before using unassigned fund balances. There was \$32,430 and \$364,424 in restricted cash for the Governmental Fund and Water and Sewer Fund at June 30, 2016, respectively.

Deposits and Investments

Investments are limited to those authorized by Tennessee State Law. State statutes authorize the City to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. Government or its agencies, repurchase agreements, and the state's investment pool. Investments are recorded at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Although the City has not adopted a formal deposit policy, its policy is to fully collateralize bank deposits in excess of federally insured amounts. Note 2 summarizes the City's exposure to custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party.

Interfund Transactions

Interfund Receivables and Payables

During the course of operations, numerous transactions occur that may result in amounts owed between individual funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables are eliminated in the statement of net position.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all transfers between individual governmental funds have been eliminated.

City of Munford, Tennessee
Notes to Financial Statements

Property Taxes

The City's property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due by February 28 following the October 1 levy date and are considered delinquent after February 28 of each year. Property taxes are recorded as revenues in the fiscal year of the levy if collected within two months (by August 31) following the end of the fiscal year, in accordance with accounting principles generally accepted in the United States of America. Property tax receivables are recorded in the period when an enforceable legal claim has arisen or when resources are received, whichever is first. Deferred inflows of resources are recorded if the related revenue is not available. Delinquent taxes estimated to be collected subsequent to August 31 are included in the balance sheet as property taxes receivable and deferred inflows of resources to reflect amounts that were not available as revenues at June 30, 2016.

Inventories

Inventory is stated at the lower of cost or market. Cost is principally determined by using the first in-first out (FIFO) method.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as outflow of resources (expense) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Capital Assets

Capital assets, which include property, plant, equipment, certain infrastructure assets (roads, bridges, sidewalks and similar items), and certain intangible assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of at least \$5,000. The City's assets are capitalized at historical cost or estimated historical cost. Gifts or contributions of capital assets, including intangible assets, are recorded at fair value when received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, net of related interest income on unspent bond funds, is included as part of the capitalized value of the assets constructed.

Land, easements, right-of-ways and construction in progress are not depreciated. Buildings, improvements, equipment, and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

Vehicles and equipment.....	5-20 years
Buildings and improvements.....	10-40 years
Water and Sewer system.....	30-40 years
Gas lines	30-40 years

Compensated Absences

Vacation pay for eligible employees is accrued as an expense at the time the employee has a vested right to receive it. Sick leave is not accrued as the employees never have a vested right to receive it.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The face amount of debt issuances or capital lease obligations are reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Grants and Contributions

Grants and contributions from Federal, State and local governments are received for payment of costs related to various property acquisitions, construction projects, and operating costs. Grants are recorded when all applicable eligibility requirements are met. Contributions are recorded when received.

Pensions

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value. See Note 8 for more information on the City's pension plan.

Unbilled Utility Receivable

Utility revenue is recorded when earned. Customers are billed on the 23rd of each month. The estimated value of services provided but unbilled at year end has been included in the accompanying financial statements.

Net Position

The city recognizes the difference between its assets plus deferred outflows of resources less liabilities and deferred inflows of resources as net position in government-wide and proprietary fund financial statements. Net position categories include:

Net Investment in Capital Assets

Net investment in capital assets is comprised of the City's capital assets, net of depreciation, reduced by the outstanding balances of bonds and notes that are attributable to the acquisition, construction or improvement of those assets. Applicable deferred outflows of resources and deferred inflows of resources, if any, should also be included in this component of net position. Net investment in capital assets is further discussed in Note 4.

Restricted

Restricted net position is comprised of the City's assets, mainly cash and investments, bound by constraints on resources that are externally imposed by creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted

The remaining balance of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital or the restricted components of net position.

Fund Balance

Equity is classified as fund balance and displayed in the following five components, as applicable:

Nonspendable

Nonspendable fund balance consists of funds that cannot be spent due to their form (e.g. inventories) or funds that legally or contractually must be maintained intact.

Restricted

Restricted fund balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation.

Committed

Committed fund balance consists of funds that are set aside for a specific purpose by the City's highest level of decision making authority (Board of Mayor and Aldermen). Formal action, in the form of an ordinance by the Board of Mayor and Aldermen, to establish, modify or rescind a commitment may be modified or rescinded only by a like action.

Assigned

Assigned fund balance consists of funds that are set aside with the intent to be used for a specific purpose that are not considered restricted or committed. The City's highest level of decision making authority has retained the authority to assign funds.

Unassigned

Unassigned fund balance consists of excess General Fund revenues over expenditures (positive fund balance) that have not been classified in the previous four categories. All funds in this category are considered spendable resources. Positive fund balance for other governmental fund types (e.g. special revenue or construction in progress) are considered restricted or assigned depending on the nature of the excess of revenue over expenditures. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls (negative fund balance).

2. DEPOSITS AND INVESTED FUNDS

Custodial Credit Risk

The City's policies limit deposits and investments to those instruments allowed by applicable state laws as described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance, the Tennessee Bank Collateral Pool, collateral held by the City's agent in the City's name, collateral held by the Federal Reserve Banks acting as third party agents, or a combination of these methods. State statutes also authorize the City to invest in bonds, notes, or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2016, all bank deposits were entirely insured by federal depository insurance and collateralized by the Bank Collateral Pool of the State of Tennessee.

3. RECEIVABLES

As of June 30, 2016, receivables for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Gas Fund</u>	<u>Total</u>
Receivables					
Property taxes	\$ 1,342,196	\$ -	\$ -	\$ -	\$ 1,342,196
Accounts	-	41,310	152,807	139,397	333,514
Unbilled accounts	-	-	87,308	47,808	135,116
Receivables from other governments	228,079	29,650	1,149	-	258,878
Grants	71,583	-	-	-	71,583
Receivable – other	<u>35,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,751</u>
Gross receivables	1,677,609	70,960	241,264	187,205	2,177,038
Less: Allowance for doubtful accounts	<u>(144,911)</u>	<u>(4,714)</u>	<u>(29,595)</u>	<u>(27,357)</u>	<u>(206,577)</u>
Net receivables	<u>\$ 1,532,698</u>	<u>\$ 66,246</u>	<u>\$ 211,669</u>	<u>\$ 159,848</u>	<u>\$ 1,970,461</u>

City of Munford, Tennessee
Notes to Financial Statements

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Transfers/ Disposals*</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,076,286	\$ -	-	\$ 1,076,286
Construction in progress	-	91,719	-	91,719
Total capital assets not being depreciated	<u>1,076,286</u>	<u>91,719</u>	-	<u>1,168,005</u>
Capital assets being depreciated				
Buildings and improvements	5,010,984	-	-	5,010,984
Vehicles and equipment	1,906,550	187,999	-	2,094,549
Infrastructure	<u>2,659,201</u>	<u>49,605</u>	-	<u>2,708,806</u>
Total other capital assets being depreciated	<u>9,576,735</u>	<u>237,604</u>	-	<u>9,814,339</u>
Less accumulated depreciation				
Buildings and improvements	(1,077,080)	(160,783)	-	(1,237,863)
Vehicles and equipment	(1,648,347)	(89,302)	-	(1,737,649)
Infrastructure	<u>(778,207)</u>	<u>(106,768)</u>	-	<u>(884,975)</u>
Total accumulated depreciation	<u>(3,503,634)</u>	<u>(356,853)</u>	-	<u>(3,860,487)</u>
Total capital assets being depreciated, net ...	<u>6,073,101</u>	<u>(119,249)</u>	-	<u>5,953,852</u>
Governmental activities capital assets, net	<u>\$ 7,149,387</u>	<u>\$ (27,530)</u>	<u>\$ -</u>	<u>\$ 7,121,857</u>

* No transfers or disposals occurred in the governmental funds during the year ended June 30, 2016.

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

Governmental activities	
General government	\$ 36,235
Public safety	130,814
Highways and streets	142,234
Parks	<u>47,570</u>
Total depreciation expense - governmental activities	<u>\$ 356,853</u>

City of Munford, Tennessee
Notes to Financial Statements

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Transfers*/ Disposals</u>	<u>Balance June 30, 2016</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 1,100,147	\$ 77,472	\$ -	\$ 1,177,619
Construction in progress	13,799	209,287	-	223,086
Total capital assets not being depreciated	<u>1,113,946</u>	<u>286,759</u>	<u>-</u>	<u>1,400,705</u>
Capital assets, being depreciated				
Buildings and improvements	1,012,966	-	-	1,012,966
Vehicles and equipment	4,744,437	189,590	(81,839)	4,852,188
Water plant in operation	8,375,683	129,806	-	8,505,489
Sewer plant in operation	5,939,260	14,131	-	5,953,391
Gas plant in operation	<u>5,647,198</u>	<u>48,590</u>	<u>-</u>	<u>5,695,788</u>
Total capital assets being depreciated....	25,719,544	382,117	(81,839)	26,019,822
Less accumulated depreciation				
Buildings and improvements	(423,656)	(32,642)	-	(456,298)
Vehicles and equipment	(3,985,723)	(323,861)	79,671	(4,229,913)
Water plant in operation	(3,391,709)	(216,267)	-	(3,607,976)
Sewer plant in operation	(2,879,119)	(171,717)	-	(3,050,836)
Gas plant in operation	<u>(2,818,019)</u>	<u>(173,694)</u>	<u>-</u>	<u>(2,991,713)</u>
Total accumulated depreciated	<u>(13,498,226)</u>	<u>(918,181)</u>	<u>79,671</u>	<u>(14,336,736)</u>
Total capital assets being depreciated, net.....	<u>12,221,318</u>	<u>(536,064)</u>	<u>(2,168)</u>	<u>11,683,086</u>
Business-type activities capital assets, net.....	<u>\$ 13,335,264</u>	<u>\$ (249,305)</u>	<u>\$ (2,168)</u>	<u>\$ 13,083,791</u>

* No transfers occurred in the business-type activities during the year ended June 30, 2016.

Depreciation expense was charged to business-type activities as follows:

Business-type activities	
Gas fund.....	\$ 381,697
Water and sewer fund	<u>536,484</u>
Total depreciation expense - business-type activities	<u>\$ 918,181</u>

City of Munford, Tennessee
Notes to Financial Statements

5. INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2016 is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds		
General Fund		
State Street Aid Fund	\$ 42,474	\$ -
Water and Sewer Fund.....	312,285	-
Gas Fund.....	-	906,850
Solid Waste Fund	-	94,005
	<u>354,759</u>	<u>1,000,855</u>
 Water and Sewer Fund		
General Fund.....	-	312,285
Gas Fund.....	80,864	-
	<u>80,864</u>	<u>312,285</u>
 Gas Fund		
General Fund.....	906,850	-
Water Fund.....	-	80,864
	<u>906,850</u>	<u>80,864</u>
Non-Major Funds		
State Street Aid Fund		
General Fund.....	-	42,474
 Solid Waste Fund		
General Fund.....	94,005	-
	<u>94,005</u>	<u>-</u>
 Totals	<u>\$ 1,436,478</u>	<u>\$ 1,436,478</u>

The foregoing interfund balances are classified as follows in the financial statements:

	<u>Interfund Balances - Assets</u>	<u>Interfund Balances - Liabilities</u>
Governmental Funds		
Due from other funds.....	\$ 448,764	\$ -
Due to other funds	-	1,043,329
 Proprietary Funds		
Due from other funds.....	987,714	-
Due to other funds	-	393,149
	<u>\$ 1,436,478</u>	<u>\$ 1,436,478</u>

Due to and due from balances, with the exception of the Gas Fund, result from the time lag between dates that interfund goods and services were provided and payments between funds were made. The majority of the Gas Fund's interfund receivable from the General Fund resulted in cash deposited in the incorrect fund during the year. All amounts are expected to be paid in the subsequent fiscal year. Transfers between the business-type funds and the general fund were for payments in lieu of taxes. No other operating transfers were made during the year ended June 30, 2016.

6. LONG-TERM DEBT

Governmental Activities

Pooled Financing Revenue Bonds, Series 2004 - The original bond was dated December 13, 2005 for \$4,000,000 and requires twenty annual installments of principal ranging from \$145,000 to \$293,000 beginning May 25, 2007 and maturing on May 25, 2025. Interest is paid monthly at a variable rate (as determined by the Securities Industry and Financial Markets Association (SIFMA) rate) of .41% as of June 30, 2016. This note is split between governmental and business-type activities with the governmental activities funds paying 40.88% of the bond and the business-type activities paying 59.12%. The balance of this bond at June 30, 2016 was \$925,570 in the governmental activities and \$1,338,430 in the business-type activities, for a total of \$2,264,000.

General Obligation Revenue and Tax Capital Outlay Note, Series 2013 - The original note was dated June 3, 2013 for \$1,105,000 and requires twelve annual installments of principal in the amount of \$92,083 beginning June 3, 2014 and maturing on June 3, 2025. Interest is paid annually at a fixed rate of 2.60%. This note is split between governmental and business-type activities with governmental activities funds paying 36.20% of the note and the business-type activities paying 63.80%. The balance of the note at June 30, 2016 was \$299,996 in the governmental activities and \$528,753 in the business-type activities, for a total of \$828,749.

Business Activities

Water and Sewer Revenue and Tax Bonds, Series 2000 - The original bond in the amount of \$761,000 was issued on March 17, 2005 and is to be paid in monthly installments of principal and interest of \$3,372 beginning April 17, 2005 and maturing on March 17, 2043. The interest rate on this bond is 4.25%. The balance of the bond at June 30, 2016 was \$644,111.

Water and Sewer Revenue and Tax Refunding Bonds, Series 2004 - The original bond in the amount of \$2,620,000 was issued on November 30, 2004 and is to be paid in annual installments of principal ranging from \$40,000 to \$390,000 beginning February 1, 2005 and maturing on February 1, 2017. Interest is paid bi-annually at a rate ranging from 2.00 - 3.85%. The balance of this bond at June 30, 2016 was \$120,000.

Pooled Financing Revenue Bonds, Series 2006 - The original bond in the amount of \$1,000,000 was issued on July 10, 2008 and is to be paid in annual installments of principal ranging from \$32,000 to \$74,000 beginning May 25, 2010 and maturing on May 25, 2029. Interest is paid monthly at a variable rate (as determined by the Securities Industry and Financial Markets Association (SIFMA) rate) of .41% as of June 30, 2016. The balance of this bond at June 30, 2016 was \$744,000.

State Revolving Fund Loan 2009 - The original loan in the amount of \$636,435 was authorized on October 26, 2009 and is to be paid in monthly installments of \$1,741 beginning January 1, 2012 and maturing on December 1, 2031. The loan is to be partially repaid with American Reinvestment and Recovery (ARRA) funds in the amount of \$318,218. A portion of this ARRA funding totaling \$254,574 represents principal forgiveness. Interest is paid monthly at a fixed rate of .91%. The balance of this loan at June 30, 2016 was \$301,895, net of ARRA forgiveness of \$254,574.

Variable Rate Local Government Loan Program Bond, Series 2016 (Gas System Loan) - The original bond in the amount of \$2,000,000 was issued on May 12, 2016 and is to be paid in annual installments of principal ranging from \$84,000 to \$118,000 beginning May 25, 2017 and maturing on May 25, 2036. Interest is paid monthly at a variable rate (as determined by the Securities Industry and Financial Markets Association (SIFMA) rate) of .41% as of June 30, 2016. The balance of this bond at June 30, 2016 was \$106,323.

Each bond is secured by the net revenues to be derived from the operation of the Water and Sewer system and Gas system and are additionally secured by the full faith and credit of the City. Certain bonds are subject to redemption prior to maturity, in whole or in part, at prices set forth in the debt resolutions.

City of Munford, Tennessee
Notes to Financial Statements

The following is a summary of total future debt service requirements for the City:

<u>Year Ending</u> <u>June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 120,820	\$ 10,222	\$ 463,833	\$ 56,742
2018	124,499	9,125	290,217	46,885
2019	127,771	8,019	275,396	43,452
2020	131,859	6,918	285,107	40,671
2021	135,538	5,779	293,255	37,789
2022-2026	585,079	11,671	1,371,323	144,284
2027-2031	-	-	423,851	94,996
2032-2036	-	-	147,930	64,825
2037-2041	-	-	170,016	32,304
2042-2043	-	-	62,583	2,259
	<u>\$ 1,225,566</u>	<u>\$ 51,733</u>	<u>\$ 3,783,512</u>	<u>\$ 564,209</u>

Long-term liability activity for the year ended June 30, 2016, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental activities					
General Obligation Revenue and Tax Capital Outlay					
Note Series 2013	\$ 333,330	\$ -	\$ 33,334	\$ 299,996	\$ 33,334
Pooled Financing Revenue					
Bonds Series 2004	1,009,783	-	84,213	925,570	87,486
Totals	<u>\$ 1,343,113</u>	<u>\$ -</u>	<u>\$ 117,547</u>	<u>\$1,225,566</u>	<u>\$ 120,820</u>
Business-type activities					
General Obligation Revenue and Tax Capital Outlay					
Note Series 2013	\$ 587,502	\$ -	\$ 58,749	\$ 528,753	\$ 58,749
Pooled Financing Revenue					
Bonds Series 2004	1,460,217	-	121,787	1,338,430	126,517
Water and Sewer Revenue					
Tax Bond Series 2000	656,904	-	12,793	644,111	13,347
Water and Sewer Revenue Tax Refunding					
Bond Series 2004	235,000	-	115,000	120,000	120,000
Pooled Financing Revenue					
Bonds Series 2006	786,000	-	42,000	744,000	43,000
State Revolving Fund					
Loan 2009	319,949	-	18,054	301,895	18,220
Variable Rate Local Government Loan Program					
Bond, Series 2016 (Gas System Loan)	-	106,323	-	106,323	84,000
Totals	<u>\$4,045,572</u>	<u>\$ 106,323</u>	<u>\$ 368,383</u>	<u>\$3,783,512</u>	<u>\$ 463,833</u>

City of Munford, Tennessee
Notes to Financial Statements

Business- type activities continued

The unamortized deferred loss on refundings reported in the statement of net position consist of the following:

	<u>Governmental</u> <u>Activities</u>	<u>Business- Type</u> <u>Activities</u>	<u>Total</u>
Water and Sewer Revenue Tax Refunding Bonds, Series 2004.....	\$ -	\$ 9,535	\$ 9,535

7. RISK MANAGEMENT

The City 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 City considers it to be more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for certain general liability, workers’ compensation, and property and casualty insurance. As such, the City participates in the Tennessee Municipal League (“TML”) Risk Management Pool. TML is a public entity risk pool consisting of member political subdivisions of the State of Tennessee. The City pays an annual premium to the TML pool for certain general liability, workers’ compensation and property and casualty insurance. Each political subdivision that has participated in the TML pool is subject to assessment if the funds it paid as premiums are insufficient to meet the obligations of the TML pool.

It is the policy of the City to purchase commercial insurance for all other risks of losses to which it is exposed. These risks include general liability, property and casualty, worker’s compensation, employee health and accident, and environmental. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

8. DEFINED BENEFIT PENSION PLAN- ADMINISTERED BY TCRS

General Information about the Pension Plan

Plan Description. Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the Tennessee Consolidated Retirement System (“TCRS”). TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of TCRS. TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (“COLAs”) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (“CPI”) during the prior calendar year, capped at 3 percent, and

City of Munford, Tennessee
Notes to Financial Statements

applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	50
Active employees	<u>56</u>
	<u>124</u>

Contributions. Contributions are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of their salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined Contribution (“ADC”) for the City was \$121,740 based on a rate of 5.20 percent covered payroll. By law, employer contributions for the Plan are required to be paid. The TCRS may intercept the state shared taxes if the required employer contributions are not remitted. The employer’s ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

Net Pension Asset. Munford’s net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate net pension asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

City of Munford, Tennessee
Notes to Financial Statements

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	(a) <u>Total Pension Liability</u>	(b) <u>Plan Fiduciary Net Position</u>	(a) – (b) <u>Net Pension (Asset) Liability</u>
Balance at 6/30/14	\$ 5,156,987	\$ 5,261,462	\$ (104,475)
Changes for the year:			
Service cost	202,772	-	202,772
Interest	393,797	-	393,797
Difference between expected and actual experience	(183,402)	-	(183,402)
Contributions- employer	-	121,740	(121,740)
Contributions- employees	-	117,322	(117,322)
Net investment income	-	162,326	(162,326)
Benefit payments, including refunds of employee contributions	(218,254)	(218,254)	-
Administrative expense	-	(2,770)	2,770
Net changes	194,913	180,364	14,549
Balance at 6/30/15	\$ 5,351,900	\$ 5,441,826	\$ (89,926)

City of Munford, Tennessee
Notes to Financial Statements

Sensitivity of the Net Pension Asset to Changes in the Discount Rate. The following presents the net pension asset of the plan calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Net pension liability (asset)	\$ 680,339	\$ (89,926)	\$ (712,852)

Pension Expense. For the year ended June 30, 2016, the City recognized pension expense of \$19,080 related to this plan.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2016, Munford reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 193,390
Net difference between projected and actual earnings on pension plan investments	-	59,670
Contributions subsequent to the measurement date of June 30, 2015	<u>129,754</u>	<u>-</u>
Total	<u>\$ 316,122</u>	<u>\$ 439,428</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2015," will be recognized as a reduction to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2017	\$ (67,651)
2018	(67,651)
2019	(67,651)
2020	14,361
2021	(32,231)
Thereafter	(32,231)

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

9. COMMITMENTS AND CONTINGENCIES

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

10. SUBSEQUENT EVENTS

Subsequent to June 30, 2016, in January 2017, the City entered into an agreement with The Public Building Authority of the City of Clarksville, Tennessee to refund \$1,245,000 principal portion of the Variable Rate Local Government Loan Program Bond, Series 2016 by means of a 3.04% fixed rate loan. The loan will be fixed for 7 years of the 20 year term maturing beginning May 1, 2018 through May 1, 2036.

Required Supplementary Information

City of Munford, Tennessee
Schedule of Changes in Net Pension Asset and
Ratios Based on Participation in the Public Employee Retirement Plan of TCRS
Fiscal Years Ending June 30

	2014	2015
Total pension liability		
Service cost	\$ 175,345	\$ 202,772
Interest	370,199	393,797
Differences between expected and actual experience	(48,250)	(183,402)
Benefit payments, including refunds of employee contributions	(201,882)	(218,254)
Net change in total pension liability	295,412	194,913
Total pension liability—beginning	4,861,575	5,156,987
Total pension liability—ending (a)	<u>\$ 5,156,987</u>	<u>\$ 5,351,900</u>
Plan fiduciary net position		
Contributions—employer	\$ 117,133	\$ 121,740
Contributions—employee	112,825	117,322
Net investment income	747,630	162,326
Benefit payments	(201,882)	(218,254)
Administrative expense	(2,223)	(2,770)
Net change in plan fiduciary net position	773,483	180,364
Plan fiduciary net position—beginning	4,487,979	5,261,462
Plan fiduciary net position—ending (b)	<u>\$ 5,261,462</u>	<u>\$ 5,441,826</u>
Net pension liability (asset)—ending (a) – (b)	<u>\$ (104,475)</u>	<u>\$ (89,926)</u>
Plan fiduciary net position as a percentage of the total pension liability	102.03%	101.68%
Covered payroll	\$ 2,256,506	\$ 2,341,146
Net pension liability (asset) as a percentage of covered payroll	-4.63%	-3.84%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

City of Munford, Tennessee
Schedule of Employer Contributions to the Public Employee Retirement Plan of TCRS
Fiscal Years Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 117,133	\$ 121,740	\$ 129,754
Contributions in relation to the actuarially determined contribution	<u>117,133</u>	<u>121,740</u>	<u>129,754</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,256,506	\$2,341,146	\$2,495,545
Contributions as a percentage of covered payroll	5.19%	5.20%	5.20%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule

Valuation date:

Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	12 years
Asset valuation method	10-year smoothed within a 20.0% corridor to market value
Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation
Investment rate of return	7.5%, net of plan investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipate improvement
Cost of Living Adjustments	2.5%

Supplementary Information

Combining Financial Statements

City of Munford, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2016

	Solid Waste Fund	State Street Aid Fund	Drug Fund	Total Other Governmental Funds
Assets				
Cash	\$ -	\$ 474,222	\$ 22,628	\$ 496,850
Accounts receivable, net	36,596	-	-	36,596
Due from other funds	94,005	-	-	94,005
Receivables from other governments	-	29,650	-	29,650
Total assets	\$ 130,601	\$ 503,872	\$ 22,628	\$ 657,101
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ -	\$ 1,898	\$ 3	\$ 1,901
Due to others	-	-	2,575	2,575
Due to other funds	-	42,474	-	42,474
Total liabilities	-	44,372	2,578	46,950
Fund balances				
Restricted				
Solid waste expenditures	130,601	-	-	130,601
Street expenditures	-	459,500	-	459,500
Drug enforcement	-	-	20,050	20,050
Total fund balances	130,601	459,500	20,050	610,151
Total liabilities and fund balances	\$ 130,601	\$ 503,872	\$ 22,628	\$ 657,101

City of Munford, Tennessee
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds
Year Ended June 30, 2016

	Solid Waste Fund	State Street Aid Fund	Drug Fund	Total Other Governmental Funds
Revenues				
Intergovernmental revenues				
Gasoline and motor fuel tax	\$ -	\$ 111,692	\$ -	\$ 111,692
\$.03 gasoline tax	-	33,315	-	33,315
1989 gasoline tax increase	-	17,950	-	17,950
Total intergovernmental revenues	-	162,957	-	162,957
Charges for services	301,761	-	-	301,761
Fines and forfeitures	-	-	9,252	9,252
Other revenue	-	1,404	89	1,493
Total revenues	301,761	164,361	9,341	475,463
Expenditures				
Public safety				
Contractual services	-	-	404	404
Supplies	-	-	1,586	1,586
Total public safety	-	-	1,990	1,990
Solid waste				
Contractual services	165,635	-	-	165,635
Supplies	802	-	-	802
Allocations	154,864	-	-	154,864
Total solid waste	321,301	-	-	321,301
Highways and streets				
Contractual services	-	26,100	-	26,100
Total highways and streets	-	26,100	-	26,100
Capital expenditures	6,500	-	665	7,165
Total expenditures	327,801	26,100	2,655	356,556
Net change in fund balance	(26,040)	138,261	6,686	118,907
Fund balance - July 1, 2015	156,641	321,239	13,364	491,244
Fund balance - June 30, 2016	\$ 130,601	\$ 459,500	\$ 20,050	\$ 610,151

Schedules

City of Munford, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual -
Solid Waste Fund
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Charges for services	\$ 262,700	\$ 301,761	\$ 301,761	\$ -
Total revenues	<u>262,700</u>	<u>301,761</u>	<u>301,761</u>	<u>-</u>
Expenditures				
Solid waste				
Contractual services	151,000	165,635	165,635	-
Supplies	-	802	802	-
Allocations	-	133,183	154,864	21,681
Total solid waste	<u>151,000</u>	<u>299,620</u>	<u>321,301</u>	<u>21,681</u>
Capital expenditures	-	6,500	6,500	-
Total expenditures	<u>151,000</u>	<u>306,120</u>	<u>327,801</u>	<u>21,681</u>
Net change in fund balance	<u>\$ 111,700</u>	<u>\$ (4,359)</u>	(26,040)	<u>\$ (21,681)</u>
Fund balance - July 1, 2015			<u>156,641</u>	
Fund balance - June 30, 2016			<u>\$ 130,601</u>	

City of Munford, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual -
State Street Aid Fund
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Intergovernmental revenues				
Gasoline and motor fuel tax	\$ 100,000	\$ 111,691	\$ 111,692	\$ 1
\$.03 gasoline tax	30,000	33,315	33,315	-
1989 gasoline tax increase	15,000	17,950	17,950	-
Total intergovernmental revenues	<u>145,000</u>	<u>162,956</u>	<u>162,957</u>	<u>1</u>
Other revenue	<u>600</u>	<u>1,403</u>	<u>1,404</u>	<u>1</u>
Total revenues	<u>145,600</u>	<u>164,359</u>	<u>164,361</u>	<u>2</u>
Expenditures				
Highways and streets				
Contractual services	34,000	26,100	26,100	-
Supplies	<u>95,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>129,000</u>	<u>26,100</u>	<u>26,100</u>	<u>-</u>
Net change in fund balance	<u>\$ 16,600</u>	<u>\$ 138,259</u>	138,261	<u>\$ 2</u>
Fund balance - July 1, 2015			<u>321,239</u>	
Fund balance - June 30, 2016			<u>\$ 459,500</u>	

City of Munford, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual -
Drug Fund
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Federal grants	\$ 2,500	\$ -	\$ -	\$ -
Fines and forfeitures	4,000	9,252	9,252	-
Other revenue	-	89	89	-
Total revenues	<u>6,500</u>	<u>9,341</u>	<u>9,341</u>	<u>-</u>
Expenditures				
Public safety				
Contractual services	-	404	404	-
Supplies	6,350	1,586	1,586	-
Total public safety	<u>6,350</u>	<u>1,990</u>	<u>1,990</u>	<u>-</u>
Capital expenditures	-	665	665	-
Total expenditures	<u>6,350</u>	<u>2,655</u>	<u>2,655</u>	<u>-</u>
Net change in fund balance	<u>\$ 150</u>	<u>\$ 6,686</u>	6,686	<u>\$ -</u>
Fund balance - July 1, 2015			<u>13,364</u>	
Fund balance - June 30, 2016			<u>\$ 20,050</u>	

City of Munford, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund
Year Ended June 30, 2016

Revenues

Local taxes	
Property taxes	\$ 1,166,800
Local sales taxes	738,825
Wholesale beer tax	106,040
Mixed drink tax	85
Cable TV tax	16,187
	<u>2,027,937</u>
 Licenses and permits	 <u>22,088</u>
 Intergovernmental revenues	
State sales tax	479,397
State income tax	19,552
State beer tax	2,894
Petroleum special	12,058
Telecommunications tax	504
TVA tax	69,553
State reimbursements	7,800
County allocations	55,187
State grants	66,897
Federal grants	86,914
Miscellaneous	122,524
	<u>923,280</u>
 Charges for services	
Parks and recreation rents and fees	441,050
Fire and subscriptions and billings	14,284
	<u>455,334</u>
 Fines and forfeitures	 <u>108,373</u>
 Miscellaneous	
Interest income	30,913
Miscellaneous	17,466
	<u>48,379</u>
 Contributions	 <u>4,687</u>
 Total revenues	 <u><u>3,590,078</u></u>

(Continued)

City of Munford, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund
Year Ended June 30, 2016

Expenditures

General government

Legislative

Personal services	\$ 46,968
Contractual services	16,000
Fixed charges	628
Allocations	(38,157)
	<u>25,439</u>

Judicial

Personal services	4,306
Contractual services	1,475
	<u>5,781</u>

Administrative

Personal services	501,659
Contractual services	264,414
Supplies	20,208
Fixed charges	11,039
Other expenses	8,574
Allocations	(735,706)
	<u>70,188</u>

Code Enforcement

Personal services	56,774
Contractual services	4,484
Supplies	2,238
Fixed charges	4,167
Other expenses	448
Allocations	(34,054)
	<u>34,057</u>

Total general government

135,465

Public safety

Police

Personal services	912,902
Contractual services	87,918
Supplies	65,302
Fixed charges	70,060
Other expenses	7,565
	<u>1,143,747</u>

Fire

Personal services	719,027
Contractual services	31,389
Supplies	86,520
Fixed charges	41,627
Other expenses	50
	<u>878,613</u>

(Continued)

City of Munford, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund
Year Ended June 30, 2016

Community development	
Personal services	\$ 29,477
Contractual services	26,021
Supplies	3,846
Fixed charges	1,450
Allocations	(33,170)
	<u>27,624</u>
Total public safety	<u>2,049,984</u>
Highways and streets	
Streets	
Contractual services	28,324
Supplies	51,678
Fixed charges	7,770
	<u>87,772</u>
Health, welfare, and recreation	
Parks and recreation	
Personal services	306,303
Contractual services	48,184
Supplies	75,298
Fixed charges	45,495
	<u>475,280</u>
Centennial Park	
Personal services	144,968
Contractual services	49,051
Supplies	75,028
Fixed charges	7,531
	<u>276,578</u>
Library	
Personal services	61,626
Contractual services	12,812
Supplies	8,485
Fixed charges	297
	<u>83,220</u>
Tipton Plaza	
Personal services	11,247
Contractual services	20,095
Supplies	8,246
Fixed charges	2,681
	<u>42,269</u>

(Continued)

City of Munford, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund
Year Ended June 30, 2016

Hope Park	
Contractual services	\$ 2,208
Supplies	850
Fixed charges	363
	<u>3,421</u>
	<u>880,768</u>
Total health, welfare, and recreation	
Capital	
Capital expenditures	402,639
Debt service:	
Principal retirement	117,547
Interest and fiscal charges	20,845
	<u>138,392</u>
Total expenditures	<u><u>3,695,020</u></u>
Excess of revenues over expenditures	(104,942)
Other Financing sources	
Transfers in	153,971
Insurance recoveries	7,419
Total other financing sources	<u>161,390</u>
Net change in fund balance	56,448
Fund balance - July 1, 2015	<u>1,453,214</u>
Fund balance - June 30, 2016	<u><u>\$ 1,509,662</u></u>

Supporting Schedules

City of Munford, Tennessee
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures
Federal Awards			
US Department of Homeland Security Passed through State of Tennessee Staffing for adequate Fire and Emergency Response (SAFER) Grant	97.083	EMW-2012-FF-00363	\$ 36,100
US Department of Transportation Passed through State of Tennessee Highway Planning and Construction Grant	20.205	84-LPLM-F0-016	48,341
Highway Planning and Construction Grant	20.205	84-LPLM-S3-027	61,957
			<u>110,298</u>
Alcohol Open Container Requirements Grant	20.607	Z16GHS255	4,940
Total U.S. Department of Transportation Grants			<u>115,238</u>
U.S. Department of Agriculture Passed through State of Tennessee, Division of Forestry Volunteer Fire Assistance Program	10.664	N/A	2,473
Total Federal Awards			<u><u>153,811</u></u>
State Financial Assistance			
<i>No current year expenditures</i>			
Total Federal Awards and State Financial Assistance			<u><u>\$ 153,811</u></u>

Note A - Basis of Presentation

The schedule of expenditures of federal awards and state financial assistance (the "Schedule") includes the federal grant activity of the City of Munford, Tennessee under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note B - Summary of Significant Accounting Policies

- Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in either OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.
- Pass-through entity identifying numbers are presented where available.
- There were no federal awards passed through to subrecipients.

Note C - Contingency

The grant revenue amounts received and expensed (eligible for reimbursement) are subject to audit adjustment. If any expenses are disallowed by the grantor as a result of such audit, any claim for reimbursement to the grantor would become a liability of the City. In the opinion of management, all grant expenses (eligible for reimbursement) are in compliance with the terms of the grant agreement and applicable federal and state laws and regulations.

City of Munford, Tennessee
Debt Service Requirements to Maturity
June 30, 2016

Year Ended	Pooled Financing Revenue Bond Series 2004		Water and Sewer Revenue Tax Bond Series 2004		Water and Sewer Revenue and Tax Refunding Series 2004		Variable Rate Local Government Loan Program Bond Series 2016 (Gas System Loan)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 214,000	\$ 5,660	\$ 13,347	\$ 27,117	\$ 120,000	\$ 4,620	\$ 84,000	\$ 3,190
2018	223,000	5,125	13,925	26,539	-	-	22,323	669
2019	231,000	4,568	14,529	25,935	-	-	-	-
2020	241,000	3,990	15,159	25,305	-	-	-	-
2021	250,000	3,388	15,816	24,648	-	-	-	-
2022	260,000	2,763	16,501	23,963	-	-	-	-
2023	271,000	2,112	17,216	23,248	-	-	-	-
2024	281,000	1,435	17,963	22,501	-	-	-	-
2025	293,000	732	18,741	21,723	-	-	-	-
2026	-	-	19,553	20,911	-	-	-	-
2027	-	-	20,401	20,063	-	-	-	-
2028	-	-	21,285	19,179	-	-	-	-
2029	-	-	22,207	18,257	-	-	-	-
2030	-	-	23,170	17,294	-	-	-	-
2031	-	-	24,174	16,290	-	-	-	-
2032	-	-	25,221	15,243	-	-	-	-
2033	-	-	26,314	14,150	-	-	-	-
2034	-	-	27,455	13,009	-	-	-	-
2035	-	-	28,645	11,819	-	-	-	-
2036	-	-	29,886	10,578	-	-	-	-
2037	-	-	31,181	9,283	-	-	-	-
2038	-	-	32,532	7,932	-	-	-	-
2039	-	-	33,942	6,522	-	-	-	-
2040	-	-	35,413	5,051	-	-	-	-
2041	-	-	36,948	3,516	-	-	-	-
2042	-	-	38,549	1,915	-	-	-	-
2043	-	-	24,038	344	-	-	-	-
	<u>\$ 2,264,000</u>	<u>\$ 29,773</u>	<u>\$ 644,111</u>	<u>\$ 432,335</u>	<u>\$ 120,000</u>	<u>\$ 4,620</u>	<u>\$ 106,323</u>	<u>\$ 3,859</u>

City of Munford, Tennessee
Debt Service Requirements to Maturity
June 30, 2016

Year Ended	Pooled Financing Revenue Bond Series 2006		State Revolving Fund Loan 2009		General Obligation Revenue and Tax Capital Outlay Note, Series 2013		Grand Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
	2017	\$ 43,000	\$ 1,860	\$ 18,220	\$ 2,671	\$ 92,083	
2018	45,000	1,753	18,386	2,504	92,083	19,419	470,726
2019	47,000	1,640	18,554	2,336	92,083	16,992	454,637
2020	50,000	1,523	18,724	2,167	92,083	14,604	464,555
2021	52,000	1,398	18,894	1,997	92,083	12,137	472,361
2022	54,000	1,268	19,067	1,824	92,083	9,710	481,179
2023	57,000	1,132	19,241	1,650	92,083	7,282	491,964
2024	59,000	990	19,417	1,474	92,084	4,868	500,732
2025	62,000	842	19,595	1,296	92,084	2,427	512,440
2026	64,000	687	19,774	1,117	-	-	126,042
2027	67,000	527	19,955	936	-	-	128,882
2028	70,000	360	20,137	754	-	-	131,715
2029	74,000	185	20,321	570	-	-	135,540
2030	-	-	20,507	384	-	-	61,355
2031	-	-	20,694	197	-	-	61,355
2032	-	-	10,409	26	-	-	50,899
2033	-	-	-	-	-	-	40,464
2034	-	-	-	-	-	-	40,464
2035	-	-	-	-	-	-	40,464
2036	-	-	-	-	-	-	40,464
2037	-	-	-	-	-	-	40,464
2038	-	-	-	-	-	-	40,464
2039	-	-	-	-	-	-	40,464
2040	-	-	-	-	-	-	40,464
2041	-	-	-	-	-	-	40,464
2042	-	-	-	-	-	-	40,464
2043	-	-	-	-	-	-	24,382
	<u>\$ 744,000</u>	<u>\$ 14,165</u>	<u>\$ 301,895</u>	<u>\$ 21,903</u>	<u>\$ 828,749</u>	<u>\$ 109,286</u>	<u>\$ 5,625,019</u>

City of Munford, Tennessee
Property Taxes
June 30, 2016

Year of Levy	Balance July 1, 2015	Assessment	Adjustments/ Abatements	Collections	Balance June 30, 2016
2016	\$ -	\$ 1,200,312.00	\$ -	\$ -	\$ 1,200,312
2015	1,137,720	-	39,732	(1,137,831)	39,621
2014	31,143	-	3,876	(15,320)	19,699
2013	19,883	-	1,014	(10,075)	10,822
2012	21,048	-	1,945	(1,853)	21,140
2011	16,861	-	1,301	(72)	18,090
2010	4,130	-	427	(58)	4,499
2009	6,007	-	547	(28)	6,526
2008	10,023	-	429	(122)	10,330
2007	9,900	-	228	(306)	9,822
2006	2,276	-	(308)	(633)	1,335
Total	1,258,991	<u>\$ 1,200,312</u>	<u>\$ 49,191</u>	<u>\$ (1,166,299)</u>	1,342,196
Allowance for uncollectible property taxes	(75,222)				(144,911)
Net receivables	<u>\$ 1,183,769</u>				<u>\$ 1,197,285</u>

Year of Levy	Assessed Valuation	Tax Rate Per \$100	Assessments
2016	\$ 97,896,770	1.23	\$ 1,200,312
2015	95,610,569	1.23	1,172,367
2014	93,776,934	0.98	915,355
2013	97,509,085	0.93	906,670
2012	99,065,197	0.93	921,131
2011	98,911,729	0.93	919,589
2010	97,745,774	0.93	909,305
2009	98,645,920	0.93	917,267
2008	97,083,162	0.93	902,970
2007	74,800,086	1.15	860,213

Delinquent Property Taxes

The City of Munford files delinquent property taxes with the Chancery Court on the first business day of April each year once taxes become two years old.

City of Munford, Tennessee
Utility Rates and Number of Customers
June 30, 2016

Water Rates

Inside City Limits

First 2,000 gallons	\$7.14
Over 2,000 gallons	\$2.08 per 1,000 gallons

Outside City Limits

First 2,000 gallons	\$10.71
Over 2,000 gallons	\$2.86 per 1,000 gallons

Atoka

First 5 million gallons	\$2.01 per 1000 gallons
Over 5 million gallons	\$1.94 per 1000 gallons

The City had 3,129 water customers as of June 30, 2016.

Sewer Rates

Inside City Limits

Base charge	\$7.14
First 2,000 gallons	\$3.33 per 1,000 gallons
Next 4,000 gallons	\$3.75 per 1,000 gallons
Over 6,000 gallons	\$4.17 per 1,000 gallons

Outside City Limits

Base charge	\$10.00
First 2,000 gallons	\$3.20 per 1,000 gallons
Next 4,000 gallons	\$3.60 per 1,000 gallons
Over 6,000 gallons	\$4.00 per 1,000 gallons

The City had 1,997 sewer customers as of June 30, 2016.

Gas Rates

\$5.00 base rate	
Per 100 cubic feet	\$0.601

The City had 6,801 gas customers as of June 30, 2016.

City of Munford, Tennessee
AWWA Reporting Worksheet- Water Loss Report (Unaudited)
June 30, 2016

Water Audit Report for: **Munford Water Dept (0000420)**
 Reporting Year: **2016** 7/2016 - 6/2018

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.

Enter grading in column 'E' and 'J' →

WATER SUPPLIED

Volume from own sources:	+	?	8	329.668	MG/yr
Water imported:	+	?	n/a	0.000	MG/yr
Water exported:	+	?	n/a	0.000	MG/yr
WATER SUPPLIED:				329.668	MG/yr

Master Meter and Supply Error Adjustments

Port:	Value:	MG/yr
+	?	?
+	?	?
+	?	?

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

AUTHORIZED CONSUMPTION

Billed metered:	+	?	9	264.361	MG/yr
Billed unmetered:	+	?	n/a	0.000	MG/yr
Unbilled metered:	+	?	n/a	0.000	MG/yr
Unbilled unmetered:	+	?	?	4.121	MG/yr
AUTHORIZED CONSUMPTION:				268.482	MG/yr

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

Click here: ? for help using option buttons below

Port: 1.25% Value: MG/yr

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption) **61.186** MG/yr

Apparent Losses

Unauthorized consumption:	+	?	?	0.824	MG/yr
Customer metering inaccuracies:	+	?	9	0.000	MG/yr
Systematic data handling errors:	+	?	?	0.661	MG/yr
Apparent Losses:				1.485	MG/yr

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

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

Port: 0.25% Value: MG/yr

0.25% Value: MG/yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **59.701** MG/yr

WATER LOSSES: **61.186** MG/yr

NON-REVENUE WATER

NON-REVENUE WATER: **65.307** MG/yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+	?	9	100.0	miles
Number of active AND inactive service connections:	+	?	9	3,318	
Service connection density:	+	?	?	33	conn./mile main
Are customer meters typically located at the curbside or property line?	No (length of service line, beyond the property boundary, that is the responsibility of the utility)				
Average length of customer service line:	+	?	10	20.0	ft
Average operating pressure:	+	?	9	60.0	psi

COST DATA

Total annual cost of operating water system:	+	?	8	\$135,756	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+	?	8	\$3.12	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+	?	8	\$407.39	\$/Million gallons

Use Customer Retail Unit Cost to value real

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 79 out of 100 *****

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

PRIORITY AREAS FOR ATTENTION:

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

- 1: Volume from own sources
- 2: Unauthorized consumption
- 3: Systematic data handling errors

(Continued)



Water Audit Report for: **Munford Water Dept (0000420)**
 Reporting Year: **2016** **7/2015 - 6/2016**

***** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 79 out of 100 *****

System Attributes:

Apparent Losses:	1.485	MG/yr
+ Real Losses:	59.701	MG/yr
= Water Losses:	61.186	MG/yr

Unavoidable Annual Real Losses (UARL): 24.81 MG/yr

Annual cost of Apparent Losses: **\$4,633**

Annual cost of Real Losses: **\$24,322** 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: **19.8%**
- Non-revenue water as percent by cost of operating system: **22.6%** Real Losses valued at Variable Production Cost

Operational Efficiency:

- Apparent Losses per service connection per day: **1.23** gallons/connection/day
- Real Losses per service connection per day: **49.30** gallons/connection/day
- Real Losses per length of main per day*: **N/A**
- Real Losses per service connection per day per psi pressure: **0.82** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **59.70** million gallons/year

Infrastructure Leakage Index (ILI) (CARL/UARL): 2.41

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

Governmental Auditing Standards Section

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

To the Mayor and Board of Aldermen of the
City of Munford, Tennessee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Munford, Tennessee (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 25, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 in internal control may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design and operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies, described in the accompanying schedule of findings and responses as item 2014-001 and 2016-001 to be material weaknesses.

A *significant deficiency* is a deficiency, or 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 and responses as item 2008-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial

statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Munford, Tennessee's Responses to Findings

City of Munford, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of Munford, 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watkins Mikusall, PLLC

Memphis, Tennessee
July 25, 2017

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2016

A. MATERIAL WEAKNESSES

2014-001 Bank Reconciliations

Condition: The City's records did not include documentation of a monthly reconciliation of bank accounts to the general ledger control account.

Criteria: *The Internal Control and Compliance Manual for Tennessee Municipalities, Title 5, Chapter 11, Section 9*, states: "bank statements are reconciled with the cash balances presented in the accounting records (general ledger) and prepared within 30 days after the bank statements are received from the bank."

Cause: Poor month end close procedures.

Effect: Failure to perform proper monthly reconciliations of bank accounts resulted in a material adjusting journal entry to cash.

Recommendation: To detect error or irregularities promptly, municipal officials should ensure that a monthly reconciliation of the bank accounts to the general ledger control account is performed and documented.

Views of Responsible Officials and Planned Corrective Action: Management has contracted with new accounting firm to assist in the preparation of bank reconciliations for all of fiscal 2015 and forward. Management has put in place procedures going forward to ensure that these reconciliations are performed timely each month.

2016-001 Record inter-fund receivables and payables

Condition: Amounts collected in the General Fund bank account for utility billings and other receipts were not adjusted to amounts owed to other fund, but were instead presented as cash within those funds.

Criteria: Monthly reconciliations of inter-fund transactions should appropriately capture amounts owed or due from other funds.

Cause: Poor month end close procedures.

Effect: Material adjustments were made to properly reflect amounts owed to and due from funds within the general fund and proprietary funds.

Recommendation: We recommend that amounts due to and from funds are reconciled in connection with reconciling the monthly bank accounts as the accounting is interrelated.

Views of Responsible Officials and Planned Corrective Action: Management developed a process, implemented in fiscal year 2017, for tracking the monthly inter-fund transactions on a timely basis which is now performed, in most cases, in conjunction with the monthly bank reconciliation.

CITY OF MUNFORD, TENNESSEE

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

For the Year Ended June 30, 2016

B. SIGNIFICANT DEFICIENCIES

2008-002 Utility Accounts Receivable and Customer Deposit Reconciliation Not Performed – Utility Billing

Condition: The City's records did not include documentation of a monthly reconciliation of utility accounts receivable as reflected in the utility billing register to the general ledger control account. The City's records also did not include adequate documentation of a monthly reconciliation of utility customer deposits as reflected in the utility customer deposit register to the general ledger control account.

Criteria: Monthly accounts receivable and customer deposits reconciliations should be performed to ensure that accounts are correctly stated. *The Internal Control and Compliance Manual for Tennessee Municipalities, Title 3, Chapter 3, Section 10*, states: "Municipal officials should ensure that the total amount of unpaid individual accounts on the utility billing sheet is reconciled to applicable general ledger control accounts at the end of each month."

Cause: Poor month end close procedures.

Effect: Failure to perform monthly reconciliations of accounts receivable and customer deposits can lead to undetected errors and irregularities in these accounts.

Recommendation: To detect errors or irregularities promptly, municipal officials should ensure that a monthly reconciliation of the detail listing of accounts receivable in the billing register to the general ledger control account is performed and documented. In addition municipal officials should ensure that monthly reconciliation of customer deposits to the general ledger control account is performed and documented.

Views of Responsible Officials and Planned Corrective Action: Management has determined the cause of the reconciling items and has implemented procedures in fiscal 2017 to properly account for the utility billings and verify the accuracy of this procedure through the timely completion of monthly reconciliations.

CITY OF MUNFORD, TENNESSEE

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2016

Financial Statement Findings

- 2008-002 Utility Accounts Receivable and Customer Deposit Reconciliation Not Performed – Utility Billing - repeated**
- 2010-001 Budget Exceeded – Material Non-compliance - corrected**
- 2014-001 Bank Reconciliations – repeated**
- 2015-001 Record Unbilled Utility Accounts Receivable - corrected**
- 2015-002 Record Billed Revenue Receipts against Accounts Receivable - corrected**
- 2015-003 Record Revenue in the Governmental Funds on the Modified Accrual Basis of Accounting – corrected**
- 2015-004 Unused Vacation Time Should Not Be Accrued at the Governmental Fund Level - corrected**
- 2015-005 Allowance for Uncollectible Utility Billings Receivable - corrected**