

CITY OF MUNFORD, TENNESSEE

Financial Statements

For the Fiscal Year Ended June 30, 2017



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INTRODUCTORY SECTION (UNAUDITED)

CITY OF MUNFORD, TENNESSEE
CITY OFFICIALS
June 30, 2017

MAYOR

Dwayne Cole (2020*)

ALDERMEN

Sue Arthur (2018*)
Jack Bomar (2018*)
Bob Wilson (2018*)
Ray Deneka (2020*)
Lonnie Glass (2020*)
George Watson (2020*)

CITY OFFICIALS

City Manager.....	Peter Colin**
City Recorder.....	Sherry Yelvington
Police Chief.....	Jim Harger
Fire Chief	Alan Barkelew
Director of Public Works	Mark Walker
Director of Parks and Recreation.....	Glenn Beard

* Date elected term expires

** Designated CMFO

FINANCIAL SECTION

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 statements 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, 2017, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 control relevant to the entity'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 entity'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 statements of budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Munford, Tennessee, as of June 30, 2017, 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 analysis 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 of Munford's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and supporting schedules, are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards and state financial assistance, as presented in the government auditing standards section, 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 and individual fund financial statements and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and supporting schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2018, on our consideration of the City of Munford'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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 of Munford's internal control over financial reporting and compliance.



Memphis, Tennessee
February 27, 2018

CITY OF MUNFORD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017

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, 2017. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal and notes to the financial statements. All amounts are expressed in actual dollars. Comparative analyses of key elements of total governmental funds and total enterprise funds have been provided.

Financial Highlights

- The assets of the City exceeded its liabilities and deferred outflows at the close of the most recent fiscal year by \$24,648,999 (net position). Of this amount, \$9,308,521 (unrestricted net position) may be used to meet the government's ongoing obligation to citizens and creditors.
- The City's total net position decreased by \$376,595, due to deficits in governmental activities and business-type activities of \$268,304 and \$108,291, respectively.
- At June 30, 2017, the City's governmental funds reported combined ending fund balances of \$1,889,172, a decrease of \$230,641 in comparison with the prior year. Approximately 72.9% of this amount is available for spending at the government's discretion (committed, assigned or unassigned fund balance). At June 30, 2017 unassigned fund balance for the General Fund was \$1,301,323, or 30.1% of General Fund expenditures.
- The City's total debt increased by \$1,409,407 (28.1%) during the current fiscal year. The City issued \$1,811,806 in pooled financing bonds through the Tennessee Municipal Bond Fund of which \$1,252,470 was refunded Gas System debt. The City paid down \$521,279 in existing debt obligations in FY 2017 of which \$120,816 related to governmental activity debt, \$324,364 related to Water and Sewer System debt, and \$76,099 related to Gas System debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Munford's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The government-wide financial statements are:

- **Statement of Net Position** -- presents information on all of the City's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial net position of the City is improving or deteriorating.
- **Statement of Activities** -- presents information showing how the City's net position changed during the most recent fiscal year. All current year revenues and expenses are taken into account 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 leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) and 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.

CITY OF MUNFORD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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 on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of 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 separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund. Data for the other three funds is combined into a single column with individual fund data for each of these non-major governmental funds provided in the form of combining and individual fund statements elsewhere in this report.

The City of Munford adopts an annual appropriation budget for its general and special revenue funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 12 and 14 of this report.

Proprietary funds -- Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City maintains one type of proprietary fund: an enterprise fund.

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, but provide more detail and additional information, such as cash flow analysis. The City uses enterprise funds to account for its Water and Sewer activities and Gas activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The business-type activities related to the Water and Sewer Fund and Gas Fund are presented in individual columns of the proprietary fund financial statements as both are considered major funds.

The basic proprietary fund financial statements can be found on page 21-23 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-41 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. The required supplementary information (RSI) provides additional information regarding the City's employee retirement system funding progress.

CITY OF MUNFORD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

Combining and Individual Fund Statements and Schedules: Combining schedules provide detail in connection with non-major governmental funds referred to earlier. Combining and individual fund statements and schedules can be found on pages 44 and 45 of this report.

Government-wide Financial Analysis

Net Position: Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities and deferred outflows by \$24,648,999 at the close of the most recent fiscal year, an increase of \$349,407, or 1.40 percent, from last year.

The largest portion of the City's net position (60.3%) 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 investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

	Condensed Statement of Net Position					
	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 3,200,721	\$ 3,563,020	\$ -	\$ 8,226,655	\$ 3,200,721	\$ 11,789,675
Capital assets	7,513,251	7,121,857	13,993,082	13,083,791	21,506,333	20,205,648
Total Assets	10,713,972	10,684,877	13,993,082	21,310,446	24,707,054	31,995,323
Deferred Outflows of Resources	296,868	80,209	91,250	59,080	388,118	139,289
Long-term liabilities outstanding	1,807,628	1,104,746	4,495,105	3,319,679	6,302,733	4,424,425
Other liabilities	268,640	412,010	725,344	889,886	993,984	1,301,896
Total Liabilities	2,076,268	1,516,756	5,220,449	4,209,565	7,296,717	5,726,321
Deferred Inflows of Resources	1,275,399	1,307,752	56,043	105,453	1,331,442	1,413,205
Net Asset						
Invested in capital assets	5,849,165	5,896,291	9,019,104	9,309,814	14,868,269	15,206,105
Restricted	477,209	681,734	-	-	477,209	681,734
Unrestricted	1,354,928	1,371,581	7,948,593	7,738,986	9,303,521	9,110,567
Total Net Position	\$ 7,681,302	\$ 7,949,606	\$ 16,967,697	\$ 17,048,800	\$ 24,648,999	\$ 24,998,406

An additional portion of the City's net position (1.94%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$9,303,521) may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2017, the City is able to report positive balances in all three categories of net position for the government as a whole. Governmental activities reflected positive unrestricted amount of \$1,354,928 as a component of net position while business-type activities reflected a positive component of \$7,948,593. The City maintains a practice of providing adequate reserves for payment of debt service and capital projects while funding current operations with current revenue sources.

Changes in Net Position: Governmental activities decreased the City's net position by \$268,304 while business-type activities decreased the City's net position by \$108,291 resulting in a net decrease of \$376,595. The decrease in each activity is primarily attributable to an increase in the net pension liability.

CITY OF MUNFORD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

	Condensed Statement of Activities					
	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for services	\$ 878,234	\$ 918,783	\$ 5,110,492	\$ 4,990,627	\$ 5,988,726	\$ 5,909,410
Operating grants and contributions	289,344	199,057	-	-	289,344	199,057
Capital grants and contributions	42,552	117,711	19,060	-	61,612	117,711
General Revenues:						
Property taxes	1,213,599	1,100,184	-	-	1,213,599	1,100,184
Other taxes	824,434	861,137	-	-	824,434	861,137
Intergovernmental	677,397	667,501	-	-	677,397	667,501
Interest on investments	29,928	32,406	15,446	22,749	45,374	55,155
Other revenue	19,068	32,548	33,050	21,981	52,118	54,529
Total Revenues	3,974,556	3,929,327	5,178,048	5,035,357	9,152,604	8,964,684
Expenses:						
General government	\$ 209,163	\$ 167,280	\$ -	\$ -	\$ 209,163	\$ 167,280
Public safety	2,399,788	2,196,353	-	-	2,399,788	2,196,353
Solid waste	330,055	321,301	-	-	330,055	321,301
Highways and streets	442,164	251,263	-	-	442,164	251,263
Parks and recreation	1,004,942	923,528	-	-	1,004,942	923,528
Interest and fiscal charges	25,529	20,703	-	-	25,529	20,703
Water and sewer	-	-	1,969,820	1,992,386	1,969,820	1,992,386
Gas	-	-	3,147,738	3,134,447	3,147,738	3,134,447
Total Expenses	4,411,641	3,880,428	5,117,558	5,126,833	9,529,199	9,007,261
Increase/(Decrease) in net position before transfers	(437,085)	48,899	60,490	(91,476)	(376,595)	(42,577)
Transfers	168,781	153,971	(168,781)	(153,971)	-	-
Increase/(Decrease) in net position	(268,304)	202,870	(108,291)	(245,447)	(376,595)	(42,577)
Net position, beginning	7,949,606	7,746,736	17,048,800	17,294,247	24,998,406	25,040,983
Net position, ending	\$ 7,681,302	\$ 7,949,606	\$ 16,940,509	\$ 17,048,800	\$ 24,621,811	\$ 24,998,406

Governmental Activities: Current fiscal year revenues and transfers for the City's governmental activities were \$4,143,337 compared to \$4,083,298 last year. Expenses for the same period were \$4,433,770 compared to \$3,880,428 last year.

Expenses in governmental activities increased approximately \$531,000 primarily attributable to increases in public safety salary and benefit expenses of approximately \$200,000 and non-capital Highways and Streets expenditures of approximately \$191,000.

Business-type activities: Business-type activities decreased the City's net position by \$108,291 compared the prior year decrease to net position of \$245,447. Charges for services increased slightly from prior year by \$119,865 and expenses and transfers out remained relatively flat.

CITY OF MUNFORD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to help control and manage money for particular purposes or to ensure and demonstrate compliance with finance-related legal requirements. The following provides a more detailed analysis of the City's funds.

Governmental funds: Governmental funds focus on providing 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 combined ending fund balances of \$1,889,172, a decrease of \$230,641, in comparison with the prior year. Approximately 68.88% of this total amount (\$1,301,323) constitutes unassigned fund balance, which is available for spending at the government's discretion. All of the governmental funds reported a positive ending fund balance.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,301,323, while total fund balance was \$1,411,963. Other categories of fund balance for the General Fund were non-spendable (\$34,515) and assigned (\$76,125). Non-spendable includes inventories and prepaid items and assigned includes amounts set assigned for the library and a dog park. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30.1% of total General Fund expenditures.

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

Unrestricted net position for the Water and Sewer fund at the end of the year amounted to \$548,081, an increase of \$48,516 from the prior year. Unrestricted net position of the Gas fund at the end of the year amounted to \$7,400,512, an increase of \$161,091 from the prior year. Other factors concerning the finances have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, total expenditures exceeded revenues by \$829,760, which was \$34,682 more than the final budgeted excess change of \$795,078. Actual total revenue and other financing sources were \$181,954 lower than the final budgeted total revenue and other financing sources, representing a negative budget variance, due to lower than expected other financing sources from debt issuance. Actual expenditures were slightly lower than expected, \$14,413, representing a positive budget variance.

CITY OF MUNFORD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

Capital Asset and Debt Administration

Capital assets: The City's investment in capital assets for its governmental and business type activities as of June 30, 2017 amounts to \$21,506,333 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, vehicles, roads, highways, construction in progress, and other infrastructure. The total increase in City's investment in capital assets for the current fiscal year was \$2,480,089. Depreciation expense for the year was \$1,179,404.

The following table summarizes the City's capital assets, net of accumulated depreciation, for the years ended June 30, 2017 and 2016.

	Condensed Statement of Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,085,883	\$ 1,076,286	\$ 1,171,067	\$ 1,177,619	\$ 2,256,950	\$ 2,253,905
Buildings and improvements	3,683,913	3,773,121	524,721	556,668	4,208,634	4,329,789
Vehicles and equipment	378,831	356,900	539,880	622,275	918,711	979,175
Utility system	-	-	11,750,037	10,504,143	11,750,037	10,504,143
Infrastructure	1,716,411	1,823,831	-	-	1,716,411	1,823,831
Construction in progress	648,213	91,719	7,377	223,086	655,590	314,805
Total capital assets, net	<u>\$ 7,513,251</u>	<u>\$ 7,121,857</u>	<u>\$ 13,993,082</u>	<u>\$ 13,083,791</u>	<u>\$ 21,506,333</u>	<u>\$ 20,205,648</u>

Additional information can be found in Note 3(D) of this report.

Long-term debt: At the end of the current fiscal year, the City had total debt outstanding of \$6,418,485. The City's total debt increased \$1,409,407 during the current fiscal year. Additional information on the City's long-term debt can be found at Note 3(E) of the notes to the financial statements of this report.

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the City's budget for the 2018 fiscal year are discussed fully in the budget document and include:

- The City uses conservative revenue forecasts for budgeting purposes. The primary source of funds remains property taxes. The potential impact of economic conditions in the area has been taken into consideration in projecting resources. Property tax revenues were projected to stable with no significant increases in property values and no increase in property tax rate. The property tax rate for FY2018 is set at \$1.2261 per hundred of assessed valuation.
- Sales tax and other state shared revenue are projected to increase as economic growth improves. The City has proposed FY2018 sales tax revenues equivalent to FY2017 levels.
- The City is continuing to monitor operations of its Water/Sewer Fund to determine if rates are sufficient to recover all costs of the system. Water and sewer rates were increased for FY2018 due to projected losses in FY2017.
- The City adopted a General Fund operating budget of \$4.47 million for FY2018 which is a 2.8% increase from the FY2017 General Fund budget. There is no scheduled use of unassigned fund balance in FY2018.

Requests for Information

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 of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Manager, 1397 Munford Avenue, Munford, Tennessee 38058.

BASIC FINANCIAL STATEMENTS

CITY OF MUNFORD, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,124,027	\$ 4,299,830	\$ 6,423,857
Investments	198,272	2,282,940	2,481,212
Receivables			
Taxes	1,333,016	-	1,333,016
Customer accounts	34,104	356,272	390,376
Grants	29,503	-	29,503
Unbilled	12,577	136,079	148,656
Other	43,723	5,804	49,527
Less allowance for doubtful accounts	(140,971)	(79,952)	(220,923)
Due from other governments	239,567	9,729	249,296
Internal balances	(685,495)	685,495	-
Inventories	-	160,676	160,676
Prepaid items	34,515	4,980	39,495
Restricted cash	12	298,004	298,016
Capital assets, not being depreciated	1,734,096	1,178,444	2,912,540
Capital assets, being depreciated, net	5,779,155	12,814,638	18,593,793
Total assets	<u>10,736,101</u>	<u>22,152,939</u>	<u>32,889,040</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	296,868	91,250	388,118
LIABILITIES			
Accounts payable and accrued liabilities	76,412	113,831	190,243
Accrued interest payable	3,274	5,604	8,878
Accrued payroll	41,982	16,900	58,882
Customer deposits	-	126,206	126,206
Unearned revenue	-	115,574	115,574
Noncurrent liabilities:			
Due within one year	146,972	347,229	494,201
Due in more than one year	1,639,399	4,452,529	6,091,928
Net pension liability	168,229	42,576	210,805
Total liabilities	<u>2,076,268</u>	<u>5,220,449</u>	<u>7,296,717</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	1,170,283	-	1,170,283
Related to pension	105,116	56,043	161,159
Total deferred inflows of resources	<u>1,275,399</u>	<u>56,043</u>	<u>1,331,442</u>
NET POSITION			
Net investment in capital assets	5,849,165	9,019,104	14,868,269
Restricted for:			
Streets	338,421	-	338,421
Solid waste	107,610	-	107,610
Drug enforcement	26,178	-	26,178
Unrestricted	1,359,928	7,948,593	9,308,521
Total net position	<u>\$ 7,681,302</u>	<u>\$ 16,967,697</u>	<u>\$ 24,648,999</u>

The accompanying notes are an integral part of the financial statements

CITY OF MUNFORD, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 209,163	\$ 153,904	\$ -	\$ -	\$ (55,259)	\$ -	\$ (55,259)
Public safety	2,399,788	30,924	125,295	5,193	(2,238,376)	-	(2,238,376)
Solid waste	330,055	311,891	-	-	(18,164)	-	(18,164)
Highways and streets	442,164	-	164,049	37,359	(240,756)	-	(240,756)
Health, welfare, and recreation	1,004,942	381,515	-	-	(623,427)	-	(623,427)
Interest on long-term debt	25,529	-	-	-	(25,529)	-	(25,529)
Total governmental activities	4,411,641	878,234	289,344	42,552	(3,201,511)	-	(3,201,511)
Business-type activity:							
Water and sewer	1,969,820	1,809,452	-	19,060	-	(141,308)	(141,308)
Gas	3,147,738	3,301,040	-	-	-	153,302	153,302
Total business-type activities	5,117,558	5,110,492	-	19,060	-	11,994	11,994
Total primary government	\$ 9,529,199	\$ 5,988,726	\$ 289,344	\$ 61,612	(3,201,511)	11,994	(3,189,517)
General revenues:							
Property taxes					1,213,599	-	1,213,599
Local option sales tax					681,425	-	681,425
Other taxes							
Wholesale liquor and beer taxes					132,429	-	132,429
Cable TV tax					10,580	-	10,580
Intergovernmental revenues:							
State sales tax					491,377	-	491,377
State income tax					14,436	-	14,436
Other intergovernmental revenue					171,584	-	171,584
Other revenue					15,124	19,698	34,822
Interest on investments					29,928	15,446	45,374
Gain on sale of capital assets					2,885	13,352	16,237
Insurance recoveries					1,059	27,188	28,247
Transfers					168,781	(168,781)	-
Total general revenues and transfers					2,933,207	(93,097)	2,840,110
Change in net position					(268,304)	(81,103)	(349,407)
Net position - beginning					7,949,606	17,048,800	24,998,406
Net position - ending					\$ 7,681,302	\$ 16,967,697	\$ 24,648,999

The accompanying notes are an integral part of the financial statements

CITY OF MUNFORD, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,754,320	\$ 369,719	\$ 2,124,039
Investments - certificates of deposit	198,272	-	198,272
Receivables			
Taxes	1,333,016	-	1,333,016
Customer	-	34,104	34,104
Grants	29,503	-	29,503
Unbilled accounts receivable	-	12,577	12,577
Other	40,531	3,192	43,723
Less allowance for doubtful accounts	(136,257)	(4,714)	(140,971)
Due from other governments	211,049	28,518	239,567
Due from other funds	215,454	79,798	295,252
Prepaid Items	34,515	-	34,515
	<u>\$ 3,680,403</u>	<u>\$ 523,194</u>	<u>\$ 4,203,597</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 57,710	\$ 18,702	\$ 76,412
Accrued payroll	41,982	-	41,982
Due to other funds	953,464	27,283	980,747
Total liabilities	<u>1,053,156</u>	<u>45,985</u>	<u>1,099,141</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
Taxes	1,201,464	-	1,201,464
Other	13,820	-	13,820
Total deferred inflows of resources	<u>1,215,284</u>	<u>-</u>	<u>1,215,284</u>
FUND BALANCES			
Nonspendable	34,515	-	34,515
Restricted	-	477,209	477,209
Assigned	76,125	-	76,125
Unassigned	1,301,323	-	1,301,323
Total fund balances	<u>1,411,963</u>	<u>477,209</u>	<u>1,889,172</u>
	<u>\$ 3,680,403</u>	<u>\$ 523,194</u>	<u>\$ 4,203,597</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,680,403</u>	<u>\$ 523,194</u>	<u>\$ 4,203,597</u>

The accompanying notes are an integral part of the financial statements

CITY OF MUNFORD, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET POSITION

June 30, 2017

Total fund balances, governmental funds		\$ 1,889,172
Amounts reported for governmental activities in the statement of net position are different because:		
(1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,513,251
(2) Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned or unavailable in the funds.		45,001
(3) Long-term debt is not due and payable in the current period and, therefore is not reported in the funds. Less: debt payable		(1,664,086)
(4) Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Less: accrued interest payable Less: compensated absences payable	(3,274) <u>(122,285)</u>	(125,559)
(5) Net pension assets are not a financial resource in the current period and net pension liabilities and net other postemployment liabilities are not payable with current financial resources and, therefore, are not reported in the funds. Less: net pension liability		<u>(168,229)</u>
(6) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years. Add: deferred outflows of resources related to pensions Less: deferred inflows of resources related to pensions	296,868 <u>(105,116)</u>	<u>191,752</u>
Net position of governmental activities		<u><u>\$ 7,681,302</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF MUNFORD, TENNESSEE
STATEMENT OF REVENUES EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 1,207,360	\$ -	\$ 1,207,360
Local sales taxes	824,434	-	824,434
Intergovernmental	677,397	-	677,397
Intergovernmental gas tax	-	164,049	164,049
Licenses and permits	27,133	-	27,133
Charges for services	402,339	311,891	714,230
Fines, forfeitures, and penalties	146,115	7,881	153,996
Federal, state and other grants	141,764	-	141,764
Donations	31,589	-	31,589
Interest on investments	28,453	1,475	29,928
Other	12,693	2,431	15,124
Total revenues	<u>3,499,277</u>	<u>487,727</u>	<u>3,987,004</u>
EXPENDITURES			
Current			
General government	207,561	-	207,561
Public safety	2,883,205	4,293	2,887,498
Solid Waste	-	330,055	330,055
Highways and streets	128,976	286,321	415,297
Parks and recreation	964,755	-	964,755
Debt Service			
Principal	120,816	-	120,816
Interest	23,724	-	23,724
Total expenditures	<u>4,329,037</u>	<u>620,669</u>	<u>4,949,706</u>
Excess (deficiency) of revenues over (under) expenditures	(829,760)	(132,942)	(962,702)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	2,885	-	2,885
Debt issuance	559,336	-	559,336
Insurance recoveries	1,059	-	1,059
Transfers in	168,781	-	168,781
Total other financing sources and uses	<u>732,061</u>	<u>-</u>	<u>732,061</u>
Net change in fund balances	(97,699)	(132,942)	(230,641)
Fund balances - beginning	<u>1,509,662</u>	<u>610,151</u>	<u>2,119,813</u>
Fund balances - ending	<u>\$ 1,411,963</u>	<u>\$ 477,209</u>	<u>\$ 1,889,172</u>

The accompanying notes are an integral part of the financial statements

CITY OF MUNFORD, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Net change in fund balance - total governmental funds \$ (230,641)

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

(1) Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlays capitalized	765,673	
Depreciation expense	(367,727)	
Loss from the disposition of capital assets	<u>(6,552)</u>	391,394
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(16,392)
(3) The issuance of long-term debt (e.g. bonds, notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Add: principal payments on long-term debt	120,816	
Less: proceeds from debt issuance	<u>(559,336)</u>	(438,520)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest payable	(1,805)	
Change in compensated absences	(8,989)	
Change in net pension asset	(54,272)	
Change in net pension liability	(168,229)	
Change in deferred outflows related to pensions	216,659	
Change in deferred inflows related to pensions	<u>42,491</u>	<u>25,855</u>
Change in net position of governmental activities		<u><u>\$ (268,304)</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF MUNFORD, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
PROPERTY TAXES				
Property tax	\$ 1,125,703	\$ 1,125,814	\$ 1,121,110	\$ (4,704)
Property tax - prior year	67,091	73,416	73,416	-
Property tax interest and penalties	15,000	12,834	12,834	-
Total property taxes	<u>1,207,794</u>	<u>1,212,064</u>	<u>1,207,360</u>	<u>(4,704)</u>
LOCAL TAXES				
Local sales tax	675,000	681,425	681,425	-
Wholesale beer and liquor tax	110,050	132,429	132,429	-
CATV franchise tax	20,770	10,580	10,580	-
Total local taxes	<u>805,820</u>	<u>824,434</u>	<u>824,434</u>	<u>-</u>
INTERGOVERNMENTAL				
State of Tennessee shared taxes				
Sales	480,087	491,377	491,377	-
Income taxes	9,960	14,436	14,436	-
Beer tax	2,964	2,862	2,862	-
Liquor tax	12,150	11,971	11,971	-
Receipts in lieu of tax - TVA	69,642	66,874	66,874	-
Reimbursements	7,800	13,200	13,200	-
County allocations	74,527	73,902	73,902	-
Atoka reimbursements	1,500	1,718	1,718	-
Other local taxes	500	1,057	1,057	-
Total state shared taxes	<u>659,130</u>	<u>677,397</u>	<u>677,397</u>	<u>-</u>
LICENSES AND PERMITS				
Building and related permits	15,000	21,079	21,079	-
Beer and liquor licenses	1,850	1,492	1,492	-
Other	2,500	4,562	4,562	-
Total licenses and permits	<u>19,350</u>	<u>27,133</u>	<u>27,133</u>	<u>-</u>
CHARGES FOR SERVICES				
Police and fire charges	39,200	84,332	40,168	(44,164)
Parks and recreation rents and fees	262,750	251,622	250,122	(1,500)
Centennial Park charges	146,914	112,049	112,049	-
Total charge for services	<u>448,864</u>	<u>448,003</u>	<u>402,339</u>	<u>(45,664)</u>

(CONTINUED ON NEXT PAGE)

The accompanying notes are an integral part of the financial statements

CITY OF MUNFORD, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
FINES, FORFEITURES, AND PENALTIES				
Court fines	\$ 111,150	\$ 119,771	\$ 119,771	\$ -
Code enforcement	5,500	7,000	7,000	-
Library fines	5,000	7,814	7,814	-
Other	1,000	11,530	11,530	-
Total fines, forfeitures, and penalties	<u>122,650</u>	<u>146,115</u>	<u>146,115</u>	<u>-</u>
FEDERAL AND STATE GRANTS	921,300	141,764	141,764	-
DONATIONS	850	31,589	31,589	-
INTEREST ON INVESTMENTS	23,250	28,453	28,453	-
OTHER	<u>3,150</u>	<u>11,420</u>	<u>12,693</u>	<u>1,273</u>
Total Revenues	4,212,158	3,548,372	3,499,277	(49,095)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative				
Salaries	37,450	32,716	32,716	-
Benefits	14,043	11,957	11,957	-
Contractual services	14,000	18,697	18,438	259
Materials and supplies	-	406	29	377
Insurance	850	1,242	1,054	188
Capital outlay	-	6,186	6,186	-
Allocations	<u>(32,508)</u>	<u>(46,283)</u>	<u>(45,459)</u>	<u>(824)</u>
	33,835	24,921	24,921	-
Judicial				
Salaries	4,500	4,200	4,200	-
Benefits	344	321	321	-
Contractual services	4,000	4,296	4,296	-
Insurance	10,001	14,876	14,876	-
Capital outlay	<u>6,000</u>	<u>3,417</u>	<u>3,417</u>	<u>-</u>
	24,845	27,110	27,110	-

(CONTINUED ON NEXT PAGE)

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CITY OF MUNFORD, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Administrative				
Salaries	\$ 369,291	\$ 380,656	\$ 380,655	\$ 1
Benefits	124,806	117,118	117,118	-
Contractual services	192,571	197,694	197,694	-
Repairs and maintenance	4,500	5,821	5,821	-
Materials and supplies	19,911	10,657	10,657	-
Insurance	11,564	9,802	9,802	-
Capital outlay	64,891	18,749	18,749	-
Allocations	(672,058)	(637,428)	(637,428)	-
	<u>115,476</u>	<u>103,069</u>	<u>103,068</u>	<u>1</u>
Code enforcement				
Salaries	44,154	47,095	47,095	-
Benefits	13,187	11,979	11,979	-
Contractual services	4,494	14,150	14,150	-
Repairs and maintenance	500	108	108	-
Materials and supplies	1,200	2,147	2,147	-
Insurance	2,708	2,596	2,596	-
Capital outlay	-	26,849	26,849	-
Allocations	(33,122)	(52,462)	(52,462)	-
	<u>33,121</u>	<u>52,462</u>	<u>52,462</u>	<u>-</u>
Total general government	<u>207,277</u>	<u>207,562</u>	<u>207,561</u>	<u>1</u>
PUBLIC SAFETY				
Police services				
Salaries	728,371	756,516	756,516	-
Benefits	252,769	246,176	246,176	-
Contractual services	89,285	96,863	96,863	-
Repairs and maintenance	23,000	17,496	17,496	-
Materials and supplies	44,050	42,570	42,570	-
Insurance	65,079	63,674	63,674	-
Capital outlay	28,700	79,074	79,074	-
	<u>1,231,254</u>	<u>1,302,369</u>	<u>1,302,369</u>	<u>-</u>
Fire services				
Salaries	495,195	547,116	547,116	-
Benefits	185,475	186,817	186,817	-
Contractual services	35,882	46,028	46,028	-
Repairs and maintenance	45,462	24,247	24,247	-
Materials and supplies	37,028	21,609	21,609	-
Insurance	38,755	32,012	32,012	-
Capital outlay	6,000	617,981	617,981	-
	<u>843,797</u>	<u>1,475,810</u>	<u>1,475,810</u>	<u>-</u>

(CONTINUED ON NEXT PAGE)

The accompanying notes are an integral part of the financial statements

CITY OF MUNFORD, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Community development				
Salaries	\$ 28,781	\$ 27,680	\$ 27,680	\$ -
Benefits	2,398	2,072	2,072	-
Contractual services	84,626	99,078	99,078	-
Materials and supplies	2,900	2,285	2,285	-
Insurance	1,443	1,811	1,811	-
Other charges	-	-	-	-
Capital outlay	11,000	6,784	6,784	-
Allocations	(60,111)	(34,684)	(34,684)	-
	<u>71,037</u>	<u>105,026</u>	<u>105,026</u>	<u>-</u>
Total public safety	<u>2,146,088</u>	<u>2,883,205</u>	<u>2,883,205</u>	<u>-</u>
HIGHWAYS AND STREETS				
Streets				
Contractual services	50,600	59,881	59,881	-
Repairs and maintenance	13,050	25,639	25,639	-
Materials and supplies	27,525	23,540	23,540	-
Insurance	7,770	(1,741)	(1,741)	-
Capital outlay	850,000	21,657	21,657	-
Total highways and streets	<u>948,945</u>	<u>128,976</u>	<u>128,976</u>	<u>-</u>
PARKS AND RECREATION				
Parks and recreation				
Salaries	208,539	218,509	218,509	-
Benefits	77,541	82,090	82,090	-
Contractual services	56,851	61,549	61,549	-
Repairs and maintenance	18,100	23,169	23,169	-
Materials and supplies	52,501	56,621	56,621	-
Insurance	37,149	34,856	34,856	-
Capital outlay	2,000	78,817	78,817	-
	<u>452,681</u>	<u>555,611</u>	<u>555,611</u>	<u>-</u>
Centennial Park				
Salaries	89,953	96,501	96,501	-
Benefits	23,900	28,081	28,081	-
Contractual services	75,675	65,859	65,859	-
Repairs and maintenance	13,300	9,565	9,565	-
Materials and supplies	76,600	63,222	63,222	-
Insurance	4,805	5,459	5,459	-
Capital outlay	10,000	16,895	16,895	-
	<u>294,233</u>	<u>285,582</u>	<u>285,582</u>	<u>-</u>

(CONTINUED ON NEXT PAGE)

The accompanying notes are an integral part of the financial statements

CITY OF MUNFORD, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Library				
Salaries	\$ 50,346	\$ 49,916	\$ 49,916	\$ -
Benefits	21,293	20,364	20,364	-
Contractual services	11,026	10,761	10,761	-
Repairs and maintenance	1,100	1,507	1,507	-
Materials and supplies	7,290	6,120	6,121	(1)
Insurance	304	237	237	-
Capital outlay	1,000	644	644	-
	<u>92,359</u>	<u>89,549</u>	<u>89,550</u>	<u>(1)</u>
Tipton Plaza				
Contractual services	21,140	23,279	23,279	-
Repairs and maintenance	7,500	7,231	7,231	-
Materials and supplies	2,250	779	779	-
Insurance	2,681	2,723	2,723	-
	<u>33,571</u>	<u>34,012</u>	<u>34,012</u>	<u>-</u>
Total parks and recreation	<u>872,844</u>	<u>964,754</u>	<u>964,755</u>	<u>(1)</u>
DEBT SERVICE				
Principal	159,154	132,447	120,816	11,631
Interest	27,853	26,506	23,724	2,782
Total debt service	<u>187,007</u>	<u>158,953</u>	<u>144,540</u>	<u>14,413</u>
Total Expenditures	<u>4,362,161</u>	<u>4,343,450</u>	<u>4,329,037</u>	<u>14,413</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(150,003)	(795,078)	(829,760)	(34,682)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	3,000	2,885	2,885	-
Debt issuance	-	692,195	559,336	(132,859)
Insurance recoveries	-	1,059	1,059	-
Transfers in	147,000	168,781	168,781	-
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>864,920</u>	<u>732,061</u>	<u>(132,859)</u>
Net change in fund balances	<u>\$ (3)</u>	<u>\$ 69,842</u>	<u>(97,699)</u>	<u>\$ (167,541)</u>
Fund balances - beginning			<u>1,509,662</u>	
Fund balances - ending			<u>\$ 1,411,963</u>	

The accompanying notes are an integral part of the financial statements

CITY OF MUNFORD, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Gas Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 163,511	\$ 4,136,319	\$ 4,299,830
Investments - certificates of deposit	59,421	2,223,519	2,282,940
Receivables			
Customers	207,440	148,832	356,272
Unbilled accounts receivable	88,108	47,971	136,079
Other	2,807	2,997	5,804
Less allowance for doubtful accounts	(49,595)	(30,357)	(79,952)
Due from other governments	8,091	1,638	9,729
Due from other funds	5,718	897,162	902,880
Inventory	-	160,676	160,676
Prepaid expenses	-	4,980	4,980
Cash restricted for construction project	298,004	-	298,004
Total current assets	<u>783,505</u>	<u>7,593,737</u>	<u>8,377,242</u>
Noncurrent assets:			
Capital assets, not being depreciated	868,942	309,502	1,178,444
Capital assets, being depreciated, net	7,824,765	4,989,873	12,814,638
Total capital assets (net of accumulated depreciation)	<u>8,693,707</u>	<u>5,299,375</u>	<u>13,993,082</u>
Total assets	<u>9,477,212</u>	<u>12,893,112</u>	<u>22,370,324</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	41,005	50,245	91,250
LIABILITIES			
Current liabilities:			
Accounts payable	37,775	76,056	113,831
Accrued bond interest	5,604	-	5,604
Accrued payroll	4,233	12,667	16,900
Customer deposits	43,405	82,801	126,206
Due to other funds	217,385	-	217,385
Unearned revenue	114,338	1,236	115,574
Current portion of bonds and notes payable	210,098	137,131	347,229
Total current liabilities	<u>632,838</u>	<u>309,891</u>	<u>942,729</u>
Noncurrent liabilities:			
Bonds and notes payable, net of current portion, discounts, and premiums	2,556,147	1,851,023	4,407,170
Accrued compensated absences	30,199	15,160	45,359
Net pension liability	18,879	23,697	42,576
Total noncurrent liabilities	<u>2,605,225</u>	<u>1,889,880</u>	<u>4,495,105</u>
Total liabilities	<u>3,238,063</u>	<u>2,199,771</u>	<u>5,437,834</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pension	24,190	31,853	56,043
NET POSITION			
Net investment in capital assets	5,707,883	3,311,221	9,019,104
Unrestricted	548,081	7,400,512	7,948,593
Total net position	<u>6,255,964</u>	<u>10,711,733</u>	<u>16,967,697</u>

The accompanying notes are an integral part of the financial statements

CITY OF MUNFORD, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Gas Fund	Total
Operating Revenues:			
Metered sales	\$ 1,662,810	\$ 3,158,079	\$ 4,820,889
Service connections fees	130,642	142,961	273,603
Rent	16,000	-	16,000
Insurance recoveries	27,188	-	27,188
Other	528	19,170	19,698
Total operating revenues	<u>1,837,168</u>	<u>3,320,210</u>	<u>5,157,378</u>
Operating Expenses:			
Salaries	292,806	436,031	728,837
Benefits	113,649	144,228	257,877
Contracted services	101,256	122,500	223,756
Repairs and maintenance	79,002	49,082	128,084
Materials and supplies	170,903	109,765	280,668
Fixed charges	80,702	28,163	108,865
Utilities	219,845	33,327	253,172
Supplies for resale	-	1,538,530	1,538,530
Other charges	42,128	20,876	63,004
Capital outlay	4,838	4,139	8,977
Allocations	282,919	331,806	614,725
Depreciation	510,972	300,705	811,677
Total operating expenses	<u>1,899,020</u>	<u>3,119,152</u>	<u>5,018,172</u>
Operating income (loss)	(61,852)	201,058	139,206
Nonoperating Revenues (Expenses):			
Interest	7,965	7,481	15,446
Bond interest and fiscal charges	(70,800)	(28,586)	(99,386)
Gain on sale of capital assets	10,475	2,877	13,352
Total non-operating expenses	<u>(52,360)</u>	<u>(18,228)</u>	<u>(70,588)</u>
Income (loss) before contributions and transfers	(114,212)	182,830	68,618
Capital contributions - water taps	19,060	-	19,060
Transfers out	(60,647)	(108,134)	(168,781)
Change in net position	<u>(155,799)</u>	<u>74,696</u>	<u>(81,103)</u>
Total net position - beginning	<u>6,411,763</u>	<u>10,637,037</u>	<u>17,048,800</u>
Total net position - ending	<u>\$ 6,255,964</u>	<u>\$ 10,711,733</u>	<u>\$ 16,967,697</u>

The accompanying notes are an integral part of the financial statements

CITY OF MUNFORD, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Gas Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,794,635	\$ 3,289,258	\$ 5,083,893
Payments to suppliers	(976,518)	(2,267,223)	(3,243,741)
Payments to employees	(404,892)	(592,015)	(996,907)
Other receipts	(2,279)	16,335	14,056
Net cash provided by operating activities	<u>410,946</u>	<u>446,355</u>	<u>857,301</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer to other fund	(80,401)	(179,310)	(259,711)
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	19,060	-	19,060
Purchases of capital assets	(217,958)	(1,509,561)	(1,727,519)
Proceeds from sale of capital assets	17,026	2,877	19,903
Principal paid on capital debt	(324,364)	(1,328,569)	(1,652,933)
Interest paid on capital debt	(61,265)	2,594,877	2,533,612
Net cash used for capital and related financing activities	<u>(567,501)</u>	<u>(240,376)</u>	<u>(807,877)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of investments	148,129	148,129	296,258
Interest income	7,594	(149,819)	(142,225)
Net cash provided by (used for) investing activities	<u>155,723</u>	<u>(1,690)</u>	<u>154,033</u>
Net increase (decrease) in cash and cash equivalents	(81,233)	24,979	(56,254)
Cash and cash equivalents - beginning of the year	<u>542,748</u>	<u>4,111,340</u>	<u>4,654,088</u>
Cash and cash equivalents - end of the year	<u>\$ 461,515</u>	<u>\$ 4,136,319</u>	<u>\$ 4,597,834</u>
Classified as:			
Current assets	\$ 163,511	\$ 4,136,319	4,299,830
Restricted assets	298,004	-	298,004
	<u>\$ 461,515</u>	<u>\$ 4,136,319</u>	<u>\$ 4,597,834</u>
Reconciliation of operating income to net cash from operating activities:			
Operating income	\$ (61,852)	\$ 201,058	\$ 139,206
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	510,972	300,705	811,677
Pension expense in excess of employer contributions	(5,525)	(7,360)	(12,885)
Change in assets and liabilities			
Receivables	(45,182)	(11,233)	(56,415)
Inventory	-	(22,095)	(22,095)
Prepaid expenses	83	(48)	35
Accounts payable	2,937	(10,293)	(7,356)
Accrued compensated absences	7,088	(4,396)	2,692
Deferred revenue	2,425	17	2,442
Net cash provided by operating activities	<u>\$ 410,946</u>	<u>\$ 446,355</u>	<u>\$ 857,301</u>

The accompanying notes are an integral part of the financial statements

CITY OF MUNFORD, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Munford, Tennessee (the "City") operates under a Board of Mayor and Aldermen form of government.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). 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. Blended component units, although legally separate entities, are, in substance, part of a government's operations. 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.

B. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Certain eliminations have been made 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 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.

The statement of net position presents information on all the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources, with the differences presented as net position. Net position is reported as one of three categories: net investment in capital assets, restricted, or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. The activities of the government are organized into funds, each of which are considered to be separate 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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City has presented all major funds that met the quantitative or qualitative qualifications to be reported as a major fund as separate columns in the fund financial statements. The City's major governmental funds include the General Fund. In addition, the City reports the Water and Sewer Fund and the Gas Fund as a major proprietary funds. Detailed descriptions of these funds are presented below.

CITY OF MUNFORD, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

1. Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and statement of revenues, expenditures, and changes in fund balance individually for all major funds and in the aggregate for the remaining nonmajor funds. An accompanying schedule is presented to reconcile and explain the difference in fund balance and changes in fund balances as presented in these statements to net position and changes in net position presented in the government-wide financial statements. The governmental funds of the City are described below:

- a. **General Fund** – The primary operating fund of the City and accounts for all financial resources of the general government not specifically provided for in other funds. Most of the essential governmental services such as police and fire protection, community services, and general administration are reported in the general fund.
- b. **Special Revenue Funds** – These 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 or committed to expenditures for specific purposes. The special revenue funds include the State Street Aid Fund, Drug Fund, and Solid Waste Fund.

2. 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 individually for each major enterprise fund.

The proprietary funds of the City are described below:

- a. **Enterprise Fund** – Account for business-like activities provided to the general public. The activities are financed primarily by user charges and the measurement of the financial activity focuses on net income measurement similar to private sector businesses.

Water and Sewer Fund – Accounts for water and sewer fees in connection with the operation of the City's water and sewer system.

Gas Fund – Accounts for gas fees in connection with the operation of the City's gas distribution system.

The proceeds of several bond issues and loans have been used specifically for the construction or acquisition of water and sewer and gas systems and facilities. As it is the intention of the City to repay these bonds and loans through water and sewer fund and gas fund operations, these obligations are reported in these funds.

C. 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.

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 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 also 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 revenues (additions) and expenses (deductions) in total net position.

CITY OF MUNFORD, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets, deferred outflows 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

The government-wide financial statements are presented using the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and gas fund are charges to customers for sales and services. Operating expenses are those expenses that are essential to the primary operations of the funds. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available to finance expenditures of the current period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, other local taxes, and intergovernmental revenues. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues are considered to be measurable and available only when cash is received by the City. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The issuance of long-term debt is reported as other financing sources.

D - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

1. Deposits and investments

The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

Investments consist of long-term certificates of deposits and are reported at amortized cost which approximates fair value.

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.

CITY OF MUNFORD, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

2. Receivables

All trade and property taxes receivable are shown net of an allowance for uncollectibles.

Real and personal property taxes are levied each October 1 for each fiscal year on values assessed as of the prior January 1. The City has an enforceable legal claim as of January 1 (the assessment date). Property taxes are due on December 1 and are considered delinquent after February 28, at which time penalties and interest are assessed and property is available for tax lien. All property taxes are billed and collected by the City.

Property taxes receivable are recognized as of the date the City has an enforceable legal claim. Property taxes are reflected as revenues in the fiscal period for which they are levied, which is the subsequent fiscal year for the current fiscal year's assessment, provided they are received and collected within the current period or within 60 days following the fiscal year end (August 31). Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30. Delinquent taxes estimated to be collected subsequent to August 31 are included in the balance sheet as property taxes receivable and a deferred inflow of resources to reflect amounts that were not available as revenues at June 30, 2017. The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the Board of Mayor and Aldermen and collected by the Finance Department.

Receivables due from other governments are primarily from the United States government, the State of Tennessee, and Tipton County, Tennessee. No allowance for uncollectible amounts has been recognized.

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.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned as "unearned revenue". At the end of the current fiscal year, unavailable revenue principally represents amounts relating to property taxes.

3. Interfund Transactions

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Interfund transfers

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

4. Inventories and prepaid items

Inventories are valued at the lower of cost or market determined using the first-in, first-out (FIFO) method. Inventory consists of expendable supplies held for consumption.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF MUNFORD, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

The cost of inventory and prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated acquisition value at the date received. 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 is included as part of the capitalized value of the assets constructed. 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.

Land, easements, right-of-ways and construction in progress are not depreciated. Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-40 years
Vehicles and equipment	5-20 years
Infrastructure	3-15 years
Water and sewer and gas systems	30-40 years

6. Deferred outflows of resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has qualifying items for reporting in this category. Other deferred outflows of resources include pension changes in experience, pension changes in investment earnings, and employer contributions to the pension plan after the measurement date.

7. Compensated absences

Compensated absences for accumulated unpaid vacation are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Vacation days earned, not to exceed 240 hours, may be carried forward. Compensated absences are paid out of the general fund and the proprietary funds.

8. Long-term obligations

In the governmental-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. Bond issuance costs are expensed when incurred.

In the governmental fund financial statements, bond premiums and discounts, issuance costs are recognized in the current period. The face amount of debt is 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.

CITY OF MUNFORD, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

9. Deferred inflows of resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an increase to net position that applies to a future period and is not recognized as an inflow of resources (revenue) until that time. These items are amounts in the governmental funds that were receivable and measurable at year-end but were not available to finance expenditures for the current year. This primarily includes unavailable revenues from property taxes. In addition, deferred inflows of resources include those related to pensions.

10. Net Position and Fund balance

In the government-wide financial statements and the proprietary fund in the fund financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislations.

Unrestricted net position – all other net position that does not meet the definition of restricted or net investment in capital assets.

In the fund financial statements, governmental funds report fund balances in classifications that compromise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classification consist of the following five components, as applicable:

Nonspendable – amounts that cannot be spent because they are either in a (a) non-spendable form, including items not expected to be converted to cash (i.e. inventories, prepaid amounts, long-term portion of loans and notes receivable), or (b) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

Restricted – amounts constrained to be used for a specific purpose as per external parties, constitutional provision, or enabling legislation.

Committed – amounts constrained to be used for specific purposes by formal action by ordinance adopted by the highest level of decision making authority (Board of Mayor and Aldermen). Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the Board removes or changes the commitment by taking the same action it employed to impose the commitment.

Assigned – amounts intended to be used by the City for a specific purpose, but are neither restricted nor committed. The intent shall be expressed by the Board of Mayor and Aldermen or a designee authorized by the Board of Mayor and Aldermen with authority to assign amounts. The nature of the actions necessary to remove or modify an assignment is not as rigid as required under a committed fund balance classification. The City Recorder has been authorized to assign amounts in the general fund for a specific purpose in accordance with fund balance policy established by the Board of Mayor and Aldermen.

Unassigned – represents the residual balance available for any purpose in the general fund or deficit balances in other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance

CITY OF MUNFORD, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

11. Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position, and additions to/deductions from each plan's fiduciary net position have been determined on the same basis as they are reported by the actuaries. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of each plan. Expenses of the plans, such as investment fees, trustee fees, and audit fees, are paid by the plans. However, certain administrative functions are performed by employees of the City and are not reimbursed by the plans. Investments, other than contracts, are reported at fair value. Investment income is recognized as earned. Plan assets do not include any securities of the City nor have any of the plans made any loans to the City.

13. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E – New Governmental Accounting Standards Board (GASB) Pronouncements

The City adopted GASB Statement No. 77, *Tax Abatement Disclosures*, required for fiscal periods beginning after December 15, 2015. This Statement improves financial reporting by giving users of financial statements essential information regarding tax abatements that was not previously reported consistently or comprehensively.

The City adopted GASB Statement No. 82, *Pension Issues*, required for fiscal periods beginning after June 15, 2016, except for certain provisions effective for fiscal periods beginning after June 15, 2017. This Statement modifies the measure of payroll that is presented in the required supplementary information.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The Board of Mayor and Aldermen annually approves the operating budgets of the general, special revenue, and enterprise funds of the City. The total budgets of these funds constitute legal spending limits, requiring ordinance amendment. Transfers within the funds are accomplished by resolution of the Board of Mayor and Aldermen to authorize expenditures of various grants received and to adjust the individual fund budgets as required within the total dollar limitations of the budget ordinance. While no supplemental appropriations were required during the year, the accompanying budgetary data has been revised for amendments authorized by resolution during the year. Unexpended appropriations lapse at year-end.

Annual budgets are adopted on a basis consistent with Tennessee Code Annotated, which is not materially different than the modified accrual basis of accounting for all governmental funds.

Fund appropriations comprise legal spending limits for governmental funds. The Mayor may approve transfers between line items within a department. Other transfers or requests for additional funds must be approved by the Board.

CITY OF MUNFORD, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

B. Excess of expenditures over appropriations

For the year ended June 30, 2017, expenditures did not exceed appropriations for any fund.

C. Deficit fund equity

As of June 30, 2017, none of the funds had a deficit fund balance.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits

Legal Provisions

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 statute requires that all uninsured deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for custodial risk is to follow state guidelines. As of June 30, 2017, all bank deposits were entirely insured by federal depository insurance or collateralized by the Bank Collateral Pool of the State of Tennessee.

B. Investments

Legal Provisions

Investments are limited to those authorized by Tennessee State Law. State statutes authorize the City to make direct investments in in bonds, notes or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the Local Government Investment Pool ("LGIP"); bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and nonconvertible debt securities of certain federal government sponsored enterprises. 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.

Certificates of deposit represent 100% of the City's investments at June 30, 2017. These investments are reported at amortized cost which approximates fair value.

CITY OF MUNFORD, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

C. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2017, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds		
General Fund		
Water and Sewer	\$ 195,122	\$ -
Gas	-	873,666
State Street Aid	20,332	-
Solid Waste	-	79,798
	<u>215,454</u>	<u>953,464</u>
Water and Sewer Fund		
General	-	195,122
Gas	-	22,263
Solid Waste	5,718	-
	<u>5,718</u>	<u>217,385</u>
Gas Fund		
General	873,666	-
Water and Sewer	22,263	-
Solid Waste	1,233	-
	<u>897,162</u>	<u>-</u>
Non-Major Funds		
State Street Aid		
General	-	20,332
Solid Waste		
General	79,798	-
Water and Sewer	-	5,718
Gas	-	1,233
	<u>79,798</u>	<u>6,951</u>
	<u>\$ 1,198,132</u>	<u>\$ 1,198,132</u>

These balances resulted from the time lag between the dates that the interfund goods and services are provided or reimbursable expenditures occur and when payments between funds are made.

The composition of interfund transfers for the year ended June 30, 2017 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds		
General Fund		
Water and Sewer Fund	\$ 60,647	\$ -
Gas Fund	108,134	-
	<u>168,781</u>	<u>-</u>
Water and Sewer Fund		
General Fund	-	60,647
Gas Fund		
General Fund	-	108,134
	<u>\$ 168,781</u>	<u>\$ 168,781</u>

Transfers out of the enterprise funds represent payments in lieu of taxes.

CITY OF MUNFORD, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

D. Capital assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,076,286	\$ 16,149	\$ (6,552)	\$ 1,085,883
Construction in progress	91,719	556,494	-	648,213
Total capital assets, not being depreciated	<u>1,168,005</u>	<u>572,643</u>	<u>(6,552)</u>	<u>1,734,096</u>
Capital assets, being depreciated:				
Buildings and improvements	5,010,984	64,406	-	5,075,390
Vehicles and equipment	2,094,549	128,624	(37,692)	2,185,481
Infrastructure	2,708,806	-	-	2,708,806
Total capital assets, being depreciated	<u>9,814,339</u>	<u>193,030</u>	<u>(37,692)</u>	<u>9,969,677</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,237,863)	(153,614)	-	(1,391,477)
Vehicles and equipment	(1,737,649)	(106,693)	37,692	(1,806,650)
Infrastructure	(884,975)	(107,420)	-	(992,395)
Total accumulated depreciation	<u>(3,860,487)</u>	<u>(367,727)</u>	<u>37,692</u>	<u>(4,190,522)</u>
Total capital assets, being depreciated, net	<u>5,953,852</u>	<u>(174,697)</u>	<u>-</u>	<u>5,779,155</u>
Governmental activities capital assets, net	<u>\$ 7,121,857</u>	<u>\$ 397,946</u>	<u>\$ (6,552)</u>	<u>\$ 7,513,251</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,177,619	\$ -	\$ (6,552)	\$ 1,171,067
Construction in progress	223,086	129,024	(344,733)	7,377
Total capital assets, not being depreciated	<u>1,400,705</u>	<u>129,024</u>	<u>(351,285)</u>	<u>1,178,444</u>
Capital assets, being depreciated:				
Buildings and improvements	1,012,966	-	-	1,012,966
Vehicles and equipment	4,852,188	119,438	(25,755)	4,945,871
Water plant in operation	8,505,489	20,095	-	8,525,584
Sewer plant in operation	5,953,391	139,036	-	6,092,427
Gas plant in operation	5,695,788	1,664,660	-	7,360,448
Total capital assets, being depreciated	<u>26,019,822</u>	<u>1,943,229</u>	<u>(25,755)</u>	<u>27,937,296</u>
Less accumulated depreciation for:				
Buildings and improvements	(456,298)	(31,947)	-	(488,245)
Vehicles and equipment	(4,229,913)	(201,833)	25,755	(4,405,991)
Water plant in operation	(3,607,976)	(218,995)	-	(3,826,971)
Sewer plant in operation	(3,050,836)	(173,300)	-	(3,224,136)
Gas plant in operation	(2,991,713)	(185,602)	-	(3,177,315)
Total accumulated depreciation	<u>(14,336,736)</u>	<u>(811,677)</u>	<u>25,755</u>	<u>(15,122,658)</u>
Total capital assets, being depreciated, net	<u>11,683,086</u>	<u>1,131,552</u>	<u>-</u>	<u>12,814,638</u>
Business-type activities capital assets, net	<u>\$ 13,083,791</u>	<u>\$ 1,260,576</u>	<u>\$ (351,285)</u>	<u>\$ 13,993,082</u>

CITY OF MUNFORD, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

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

Governmental Activities:	
General government	\$ 38,331
Public safety	149,423
Highways and streets	48,524
Health, welfare, and community	131,449
Total depreciation expense - governmental activities	<u>\$ 367,727</u>
Business-type Activities:	
Water and sewer fund	\$ 510,972
Gas fund	300,705
	<u>\$ 811,677</u>

E. Long-Term Liabilities

1. Long-Term Debt

The City periodically issues debt to fund the acquisition, construction, and improvement of major capital facilities and infrastructure and general government capital projects. This debt has been issued as bond anticipation notes, capital outlay notes and loans through the Tennessee Municipal Bond Fund and the State Revolving Loan Fund.

Debt issued by the Water and Sewer system and Gas system is the direct obligation of each business-type activity and is secured by the operation of each fund. The City's full faith, credit and unlimited taxing power are pledged to the repayment of all general obligation debt principal and interest and the City is contingently liable for the repayment of debt incurred by the business-type activities.

In March 2017, the City entered into a loan agreement for \$1,811,806 with the Public Building Authority of the City of Clarksville, Tennessee through the Local Government Loan Program, Series 2017. The loan bears a fixed interest rate of 3.04% for the first 7 years of the 20 year term and then converts to a variable interest rate. The loan matures in May 2036. A portion of the loan proceeds were used to advance refund \$1,245,000 of the Gas Fund Series 2016 loan with the Local Government Loan Program in order to convert the City's variable rate exposure to a fixed rate. The refunding resulted in an insignificant difference between the reacquisition price and the net carrying amount of the refunded debt. The remaining proceeds of the Series 2017 loan will be used to purchase a fire truck.

CITY OF MUNFORD, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Debt outstanding as of June 30, 2017 consisted of the following:

	Interest Rates	Maturity Date	Original Issue	Balance Outstanding at Year End
Governmental activities:				
Tennessee municipal bond fund loan				
Series 2004 ²	1.55% ¹	May 2025	\$ 4,000,000	\$ 2,050,000
Series 2017 ³	3.02% ⁴	May 2036	1,105,000	1,811,806
Capital outlay notes				
Series 2013 ⁵	2.60%	June 2025	1,105,000	736,666
			<u>6,210,000</u>	<u>4,598,472</u>
Less: amounts split with business-type activities			<u>(3,833,677)</u>	<u>(2,934,386)</u>
			2,376,323	1,664,086
Business-type activities:				
Revenue bonds:				
Series 2000	4.25%	March 2043	\$ 761,000	\$ 630,764
Tennessee municipal bond fund loan				
Series 2006	1.55% ¹	June 2029	1,000,000	701,000
Series 2016	3.0% - 3.625%	May 2036	2,000,000	204,572
State revolving fund loan				
Series 2009 ⁶	0.91%	December 2031	636,435	283,677
			<u>4,397,435</u>	<u>1,820,013</u>
Add: amounts split with governmental activities			<u>3,833,677</u>	<u>2,934,386</u>
			<u>8,231,112</u>	<u>4,754,399</u>
			<u>\$ 10,607,435</u>	<u>\$ 6,418,485</u>

¹ Variable rate Tennessee Municipal Bond Fund loan rate for June 30, 2017 was 1.55%

² This note is split between governmental activities and business-type activities with governmental activities paying 40.88% of the note and business-type activities paying 59.12%.

³ This note is split between governmental activities and business-type activities with governmental activities paying 30.87% of the note and business-type activities paying 69.13%.

⁴ This note bears a fixed interest rate of 3.02% for the first 7 years of the 20 year term and then converts to a variable interest rate.

⁵ This note is split between governmental activities and business-type activities with governmental activities paying 36.20% of the note and business-type activities paying 63.80%.

⁶ The loan is to be partially repaid with American Reinvestment and Recovery (ARRA) funds in the amount of \$318,218. A portion of the ARRA funding totaling \$254,574 represents principal forgiveness.

CITY OF MUNFORD, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Annual debt service requirements to maturity for bonds and notes payable are as follows:

Years Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$146,973	\$36,910	\$ 347,228	\$ 115,043
2019	150,612	33,941	356,554	107,594
2020	155,626	30,922	369,340	99,980
2021	159,614	27,785	379,179	92,059
2022	164,628	24,595	391,023	83,967
2023-2027	582,200	74,712	1,532,479	298,996
2028-2032	159,298	36,641	708,827	173,620
2033-2037	145,135	11,085	468,384	83,662
2038-2042	-	-	177,384	24,936
2043	-	-	24,001	344
	<u>\$ 1,664,086</u>	<u>\$ 276,591</u>	<u>\$ 4,754,399</u>	<u>\$ 1,080,201</u>

2. Changes in long-term liabilities

A summary of long-term liability activity, including debt, for the year ended June 30, 2017 is as follows. Additional detailed information is available following the summary.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Long-term debt	\$ 1,225,566	\$ 559,336	\$ (120,816)	\$ 1,664,086	\$ 146,972
Compensated absences	113,296	13,170	(4,181)	122,285	-
Net pension liability*	-	168,229	-	168,229	-
	<u>\$ 1,338,862</u>	<u>\$ 740,735</u>	<u>\$ (124,997)</u>	<u>\$ 1,954,600</u>	<u>\$ 146,972</u>
Business-type activities:					
Long-term debt	\$ 3,783,512	\$ 2,623,819	\$ (1,652,932)	\$ 4,754,399	\$ 347,229
Compensated absences	39,981	5,378	-	45,359	-
Net pension liability*	-	42,576	-	42,576	-
	<u>\$ 3,823,493</u>	<u>\$ 2,671,773</u>	<u>\$ (1,652,932)</u>	<u>\$ 4,842,334</u>	<u>\$ 347,229</u>

*net increase (decrease) shown

For governmental activities, net pension liability and compensated absences are generally liquidated by the general fund. For the business-type activities, \$219,579 of debt proceeds were not spent as of June 30, 2017. As such, these proceeds were not included in the calculation of net investment in capital assets.

CITY OF MUNFORD, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

G. Fund Balances by Purpose

Following is more detailed information on the governmental fund balances:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable for:			
Prepaid expenditures	\$ 34,515	\$ -	\$ 34,515
Restricted for:			
Street expenditures	-	338,421	338,421
Solid waste expenditures	-	112,610	112,610
Drug enforcement	-	26,178	26,178
Total restricted fund balance	<u>-</u>	<u>477,209</u>	<u>477,209</u>
Assigned to:			
Parks and recreation - dog park	23,961	-	23,961
Library	52,164	-	52,164
Total assigned fund balance	<u>76,125</u>	<u>-</u>	<u>76,125</u>
Unassigned	1,301,323	-	1,301,323
Total fund balances	<u>\$ 1,411,963</u>	<u>\$ 477,209</u>	<u>\$ 1,889,172</u>

CITY OF MUNFORD, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 4 – PENSIONS

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”):

The 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 the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs. 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.

Benefits Provided

Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 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 a 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 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, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	20
Inactive employees entitled to but not yet receiving benefits	50
Active employees	58
	128

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Munford makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, the employer contributions for the BOE Legacy plan were \$136,830 based on a rate of 5.20 percent of payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City’s shared taxes if 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.

A. Assumptions

The City’s net pension liability (asset) was measured as of June 30, 2016, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

CITY OF MUNFORD, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

Actuarial Assumptions

The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of investment expense, including inflation
Cost-of-Living Adjustment	2.5%

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, 2016 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.

Investment Policy

The long-term expected rate of return on pension plan investments were established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study 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 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 assets 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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
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%
		<u>100%</u>

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 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 total pension liability.

CITY OF MUNFORD, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

B. Net Pension Liability (Asset)

The components of the net pension liability at June 30, 2016 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at 6/30/15	\$ 5,351,900	\$ 5,441,826	\$ (89,926)
Changes for the year:			
Service cost	211,839	-	211,839
Interest	409,394	-	409,394
Differences between expected and actual experience	74,360	-	74,360
Contributions - employer	-	129,703	(129,703)
Contributions - employees	-	124,714	(124,714)
Net investment income	-	144,874	(144,874)
Benefit payments, including refunds of employee contributions	(210,302)	(210,302)	-
Administrative expenses	-	(4,429)	4,429
Net changes	485,291	184,560	300,731
Balance at 6/30/16	<u>\$ 5,837,191</u>	<u>\$ 5,626,386</u>	<u>\$ 210,805</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City 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 6.50%	Current Rate 7.50%	1% Increase 8.50%
Net pension liability (asset)	\$ 1,038,353	\$ 210,805	\$ (457,713)

C. Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

Pension Expense

For the year ended June 30, 2017, the City recognized negative pension expense of \$87,245.

Deferred Outflows of Resources and Deferred Inflows of Resources.

For the year ended June 30, 2017, the City 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	\$ 63,737	\$ 161,159
Net difference between projected and actual earnings on pension plan investments	187,551	-
Contributions subsequent to the measurement date of June 30, 2016	136,830	-
Total	<u>\$ 388,118</u>	<u>\$ 161,159</u>

CITY OF MUNFORD, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

The amounts shown above for "Contributions subsequent to the measurement date of June 30, 2016," will be recognized as a reduction (increase) 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 for the years ending June 30:

2018	\$	(4,078)
2019		(4,078)
2020		77,934
2021		31,342
2022		(21,608)
Thereafter		10,617

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

NOTE 5 - 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 the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 6 - 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; employee injuries and other unanticipated casualties; and natural disasters. The City considers it 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 Risk Management Pool (TML Pool), which is a public entity risk pool consisting of member political subdivisions of the State of Tennessee that works in many ways like a traditional insurer. Members can obtain typical insurance coverage limits and deductible options at reasonable rates according to their risk tolerance while the TML Pool provides traditional underwriting, re-insurance, claims processing and loss control services. Unlike commercial insurance, the TML Pool offers the opportunity to earn a pro-rata refund of the surplus premiums according to the City's premiums paid and its favorable loss experience in recent years. 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. The TML pool may reinsure through the Local Government Reinsurance Fund of Tennessee or a commercial insurance company.

The City has not incurred any losses in excess of commercial insurance coverage for the past three fiscal years. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
EMPLOYEE PENSION PLAN
Last Ten Fiscal Years June 30

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 211,839	\$ 202,772	\$ 175,345
Interest	409,394	393,797	370,199
Changes of benefit items	-	-	-
Differences between expected and actual experience	74,360	(183,402)	(48,250)
Changes in assumptions	-	-	-
Benefit payments	(210,302)	(218,254)	(201,882)
Net change in total pension liability	485,291	194,913	295,412
Total pension liability - beginning	5,351,900	5,156,987	4,861,575
Total pension liability - ending	\$ 5,837,191	\$ 5,351,900	\$ 5,156,987
Plan Fiduciary Net Position			
Contributions - employer	129,703	121,740	117,133
Contributions - employee	124,714	117,322	112,825
Net investment income	144,874	162,326	747,630
Benefit payments	(210,302)	(218,254)	(201,882)
Administrative expense	(4,429)	(2,770)	(2,223)
Net change in plan fiduciary net position	184,560	180,364	773,483
Plan fiduciary net position - beginning	5,441,826	5,261,462	4,487,979
Plan fiduciary net position - ending	\$ 5,626,386	\$ 5,441,826	\$ 5,261,462
Net pension liability	\$ 210,805	\$ (89,926)	\$ (104,475)
Plan fiduciary net position as a percentage of the total pension liability	96.39%	101.68%	102.03%
Covered payroll	\$ 2,494,281	\$ 2,341,146	\$ 2,256,506
Net pension liability as a percentage of covered payroll	8.45%	-3.84%	-4.63%

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 CONTRIBUTIONS
EMPLOYEE PENSION PLAN
Last Ten Fiscal Years June 30

	2017	2016	2015	2014
Actuarially determined contribution	\$ 136,830	\$ 129,703	\$ 121,740	\$ 117,133
Contributions	<u>136,830</u>	<u>129,703</u>	<u>121,740</u>	<u>117,133</u>
Contribution deficiency (surplus)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,631,307	\$ 2,491,281	\$ 2,341,146	\$ 2,256,506
Contributions as a percentage of covered payroll	5.20%	5.21%	5.20%	5.19%

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.

NOTE 1 - VALUATION DATE

Actuarially determined contribution rates for fiscal year 2017 were calculated based on the June 30, 2015 actuarial valuation.

NOTE 2 - 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	Varies by year
Asset valuation method	10-year smoothed within a 20% 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 anticipated improvement
Cost of living adjustments	2.5%

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MUNFORD, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	Special Revenue Funds			Total Nonmajor Governmental Funds
	State Street Aid Fund	Drug Fund	Solid Waste Fund	
ASSETS				
Cash and cash equivalents	\$ 332,078	\$ 27,398	\$ 10,243	\$ 369,719
Receivables				
Customer	-	-	34,104	34,104
Unbilled accounts receivable	-	-	12,577	12,577
Other	-	657	2,535	3,192
Less allowance for doubtful accounts	-	-	(4,714)	(4,714)
Due from other governments	28,518	-	-	28,518
Due from other funds	-	-	79,798	79,798
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 360,596</u>	<u>\$ 28,055</u>	<u>\$ 134,543</u>	<u>\$ 523,194</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,843	\$ 1,877	\$ 14,982	\$ 18,702
Due to other funds	20,332	-	6,951	27,283
Total liabilities	<u>22,175</u>	<u>1,877</u>	<u>21,933</u>	<u>45,985</u>
FUND BALANCES				
Restricted	338,421	26,178	112,610	477,209
Total fund balances	<u>338,421</u>	<u>26,178</u>	<u>112,610</u>	<u>477,209</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 360,596</u>	<u>\$ 28,055</u>	<u>\$ 134,543</u>	<u>\$ 523,194</u>

CITY OF MUNFORD, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Solid Waste Fund</u>	
REVENUES				
Taxes				
Intergovernmental - state gas tax	\$ 164,049	\$ -	\$ -	\$ 164,049
Charges for services	-	-	311,891	311,891
Fines, forfeitures, and penalties	-	7,881	-	7,881
Interest income	1,193	109	173	1,475
Other	-	2,431	-	2,431
Total revenues	<u>165,242</u>	<u>10,421</u>	<u>312,064</u>	<u>487,727</u>
EXPENDITURES				
Current				
Public safety	-	4,293	-	4,293
Solid waste	-	-	330,055	330,055
Highways and streets	286,321	-	-	286,321
Total expenditures	<u>286,321</u>	<u>4,293</u>	<u>330,055</u>	<u>620,669</u>
Net change in fund balances	(121,079)	6,128	(17,991)	(132,942)
Fund balances - beginning	<u>459,500</u>	<u>20,050</u>	<u>130,601</u>	<u>610,151</u>
Fund balances - ending	<u>\$ 338,421</u>	<u>\$ 26,178</u>	<u>\$ 112,610</u>	<u>\$ 477,209</u>

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STATE STREET AID FUND
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental - state gas tax				
Gas and motor fuel	\$ 110,000	\$ 112,541	\$ 112,541	\$ -
Gas 1989	17,000	18,035	18,035	-
Gas 3 cent	32,000	33,473	33,473	-
Grants	125,000	125,000	-	(125,000)
Interest income	1,000	1,193	1,193	-
Total Revenues	<u>285,000</u>	<u>290,242</u>	<u>165,242</u>	<u>(125,000)</u>
EXPENDITURES:				
Highways and Streets				
Contractual services	32,000	32,369	32,369	-
Repairs and maintenance	225,000	253,671	253,671	-
Materials and supplies	25,000	-	-	-
Capital outlay	-	282	281	1
Total Expenditures	<u>282,000</u>	<u>286,322</u>	<u>286,321</u>	<u>1</u>
Net change in fund balances	<u>\$ 3,000</u>	<u>\$ 3,920</u>	(121,079)	<u>\$ (124,999)</u>
Fund balances - beginning			<u>459,500</u>	
Fund balances - ending			<u>\$ 338,421</u>	

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DRUG FUND
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines, forfeitures, and penalties	\$ 6,530	\$ 7,881	\$ 7,881	\$ -
Other income	-	2,430	2,431	1
Interest income	50	109	109	-
Total Revenues	<u>6,580</u>	<u>10,420</u>	<u>10,421</u>	<u>1</u>
EXPENDITURES:				
Public Safety				
Contractual services	1,500	1,819	1,819	-
Materials and supplies	2,200	1,124	1,124	-
Capital outlay	-	1,350	1,350	-
Total Expenditures	<u>3,700</u>	<u>4,293</u>	<u>4,293</u>	<u>-</u>
Net change in fund balances	<u>\$ 2,880</u>	<u>\$ 6,127</u>	6,128	<u>\$ 1</u>
Fund balances - beginning			<u>20,050</u>	
Fund balances - ending			<u>\$ 26,178</u>	

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SOLID WASTE FUND
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 284,240	\$ 325,921	\$ 311,891	\$ (14,030)
Interest income	-	173	173	-
Total Revenues	<u>284,240</u>	<u>326,094</u>	<u>312,064</u>	<u>(14,030)</u>
EXPENDITURES:				
Solid Waste				
Contractual services	163,200	174,748	174,748	-
Materials and supplies	1,000	-	-	-
Other charges	-	-	-	-
Capital outlay	6,500	-	-	-
Allocations	110,255	155,308	155,307	1
Total Expenditures	<u>280,955</u>	<u>330,056</u>	<u>330,055</u>	<u>1</u>
Net change in fund balances	<u>\$ 3,285</u>	<u>\$ (3,962)</u>	(17,991)	<u>\$ (14,029)</u>
Fund balances - beginning			<u>130,601</u>	
Fund balances - ending			<u>\$ 112,610</u>	

SUPPORTING SCHEDULES (UNAUDITED)

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
ALL FUNDS
June 30, 2017

Fiscal Year	Water and Sewer System Revenue Tax Bond Series 2000		Pooled Financing TN Municipal Bond Fund Loan Series 2004		Pooled Financing TN Municipal Bond Fund Loan Series 2006		Water and Sewer System State Revolving Loan Fund Series 2009	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 13,925	\$ 26,539	\$ 223,000	\$ 31,775	\$ 45,000	\$ 10,866	\$ 18,386	\$ 2,504
2019	14,529	25,935	231,000	28,319	47,000	10,168	18,554	2,336
2020	15,159	25,305	241,000	24,738	50,000	9,440	18,724	2,167
2021	15,816	24,648	250,000	21,003	52,000	8,665	18,894	1,997
2022	16,501	23,963	260,000	17,128	54,000	7,859	19,067	1,824
2023	17,216	23,248	271,000	13,098	57,000	7,022	19,241	1,650
2024	17,963	22,501	281,000	8,897	59,000	6,138	19,417	1,474
2025	18,741	21,723	293,000	4,542	62,000	5,224	19,595	1,296
2026	19,553	20,911	-	-	64,000	4,263	19,774	1,117
2027	20,401	20,063	-	-	67,000	3,271	19,955	936
2028	21,285	19,179	-	-	70,000	2,232	20,137	754
2029	22,207	18,257	-	-	74,000	1,147	20,321	570
2030	23,170	17,294	-	-	-	-	20,507	384
2031	24,174	16,290	-	-	-	-	20,694	197
2032	25,221	15,243	-	-	-	-	10,411	26
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>\$ 630,764</u>	<u>\$ 405,218</u>	<u>\$ 2,050,000</u>	<u>\$ 149,500</u>	<u>\$ 701,000</u>	<u>\$ 76,295</u>	<u>\$ 283,677</u>	<u>\$ 19,232</u>

CONTINUED ON NEXT PAGE

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
ALL FUNDS
June 30, 2017

Fiscal Year	Pooled Financing Capital Outlay Note Series 2013		Gas System Local Government Loan Bond Series 2016		Pooled Financing TN Municipal Bond Fund Loan Series 2017		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 92,083	\$ 19,419	\$ 29,000	\$ 6,137	\$ 72,806	\$ 54,713	\$ 494,200	\$ 151,953
2019	92,083	16,992	30,000	5,267	74,000	52,518	507,166	141,535
2020	92,083	14,604	31,000	4,367	77,000	50,282	524,966	130,903
2021	92,083	12,137	32,000	3,437	78,000	47,958	538,793	119,845
2022	92,083	9,710	33,000	2,477	81,000	45,602	555,651	108,563
2023	92,083	7,282	33,000	1,487	84,000	43,156	573,540	96,943
2024	92,084	4,868	16,572	497	86,000	40,618	572,036	84,993
2025	92,084	2,427	-	-	88,000	38,022	573,420	73,234
2026	-	-	-	-	91,000	35,364	194,327	61,655
2027	-	-	-	-	94,000	32,616	201,356	56,886
2028	-	-	-	-	97,000	29,778	208,422	51,943
2029	-	-	-	-	100,000	26,848	216,528	46,822
2030	-	-	-	-	103,000	23,828	146,677	41,506
2031	-	-	-	-	106,000	20,718	150,868	37,205
2032	-	-	-	-	110,000	17,516	145,632	32,785
2033	-	-	-	-	113,000	14,194	139,314	28,344
2034	-	-	-	-	116,000	10,782	143,455	23,791
2035	-	-	-	-	120,000	7,278	148,645	19,097
2036	-	-	-	-	121,000	3,654	150,886	14,232
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>\$ 736,666</u>	<u>\$ 87,439</u>	<u>\$ 204,572</u>	<u>\$ 23,669</u>	<u>\$ 1,811,806</u>	<u>\$ 595,445</u>	<u>\$ 6,418,485</u>	<u>\$ 1,356,798</u>

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
For the Year Ended June 30, 2017

Year of Levy	Balance June 30, 2016	Assessment	Adjustments/ Abatements	Collections	June 30, 2017
2017	\$ -	\$ 1,210,998	\$ -	\$ -	\$ 1,210,998
2016	1,200,312	-	-	(1,162,480)	37,832
2015	39,621	-	3,406	(34,221)	8,806
2014	19,699	-	(182)	(13,796)	5,721
2013	10,822	-	244	(6,805)	4,261
2012	21,140	-	188	(3,307)	18,021
2011	18,090	-	489	(2,242)	16,337
2010	4,499	-	187	-	4,686
2009	6,526	-	297	-	6,823
2008	10,330	-	499	(250)	10,579
Prior Years	11,157	-	(2,181)	(24)	8,952
Total	1,342,196	\$ 1,210,998	\$ 2,947	\$ (1,223,125)	1,333,016
Allowance for uncollectible property taxes	(144,911)				(136,257)
Net receivables	<u>1,197,285</u>				<u>1,196,759</u>

PROPERTY TAX RATES AND ASSESSMENTS -LAST 10 YEARS

Year of Levy	Realty and Personalty	Tax Rate per \$100	Levy
2017	\$ 98,745,345	\$ 1.23	\$ 1,210,998
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
SCHEDULE OF BONDS OF PRINCIPAL OFFICIALS
June 30, 2017

	<u>Amount of Bond/Issuance*</u>
Mayor	
Dwayne Cole	\$ 40,500
City Recorder	
Sherry Yelvington	25,000
Notary (each)*	
Cynthia Gerwig	10,000
Lindsey Moore	10,000
Mary Pinner	10,000
Barbara Younger	10,000

Employees are covered under the City's insurance policy for dishonesty, forgery, alterations, theft, disappearance or destruction, and computer fraud for \$150,000, subject to a \$1,000 deductible.

* Notary Public bond coverage is an errors and omissions policy

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS
 June 30, 2017

As of June 30, 2017, City of Munford, Tennessee served approximately 3,300 water customers, 2,000 sewer customers, and 6,800 gas customer subject to the following rate structure:

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

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

Gas Rates

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

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
 For the Year Ended June 30, 2017

**AWWA Free Water Audit Software:
Reporting Worksheet**

WAS v5.0
 American Water Works Association
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? Click to access definition

+ Click to add a comment

Water Audit Report for: **Munford Water Dept (0000420)**
 Reporting Year: **2017** / **7/2016 - 6/2017**

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

WATER SUPPLIED

Volume from own sources:	+	?	9	315.119	MG/Yr
Water imported:	+	?	n/a	0.000	MG/Yr
Water exported:	+	?	n/a	0.000	MG/Yr

WATER SUPPLIED: 315.119 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	+	?	9	283.947	MG/Yr
Billed unmetered:	+	?	n/a	0.000	MG/Yr
Unbilled metered:	+	?	n/a	0.000	MG/Yr
Unbilled unmetered:	+	?	?	3.939	MG/Yr

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

AUTHORIZED CONSUMPTION: 287.886 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) 27.233 MG/Yr

Apparent Losses

Unauthorized consumption:	+	?	?	0.788	MG/Yr
---------------------------	---	---	---	-------	-------

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

Customer metering inaccuracies:	+	?	9	1.427	MG/Yr
Systematic data handling errors:	+	?	?	0.710	MG/Yr

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

Apparent Losses: 2.925 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 24.308 MG/Yr

WATER LOSSES: 27.233 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 31.172 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	3,325	
Service connection density:	?	?	?	33	conn./mile main

Are customer meters typically located at the curbside or property line? Yes (length of service line, beyond the property boundary, that is the responsibility of the utility)

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

Average operating pressure: 10 60.0 psi

COST DATA

Total annual cost of operating water system:	+	?	8	\$646,677	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+	?	8	\$5.89	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+	?	8	\$314.25	\$/Million gallons

Use Customer Retail Unit Cost to value

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 82 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

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CITY OF MUNFORD, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER (CONTINUED)
 For the Year Ended June 30, 2017

WAS v5.0
 American Water Works Association
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AWWA Free Water Audit Software:
System Attributes and Performance Indicators

Water Audit Report for: **Munford Water Dept (0000420)**
 Reporting Year: **2017** | **7/2016 - 6/2017**

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 82 out of 100 ***

System Attributes:

Apparent Losses:	2.925	MG/Yr	
+ Real Losses:	24.308	MG/Yr	
= Water Losses:	27.233	MG/Yr	
? Avoidable Annual Real Losses (UARL):	22.77	MG/Yr	
Annual cost of Apparent Losses:	\$17,226		
Annual cost of Real Losses:	\$7,639		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:	9.9%	
		Non-revenue water as percent by cost of operating system:	4.0%	Real Losses valued at Variable Production Cost
Operational Efficiency:	{	Apparent Losses per service connection per day:	2.41	gallons/connection/day
		Real Losses per service connection per day:	20.03	gallons/connection/day
		Real Losses per length of main per day*:	N/A	
		Real Losses per service connection per day per psi pressure:	0.33	gallons/connection/day/psi
		From Above, Real Losses = Current Annual Real Losses (CARL):	24.31	million gallons/year
		? Infrastructure Leakage Index (ILI) [CARL/UARL]:	1.07	

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

GOVERNMENT AUDITING STANDARDS SECTION

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Contract Number	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)
FEDERAL AWARDS						
U.S. Department of Agriculture Passed through State of Tennessee, Division of Forestry Volunteer Fire Assistance Program	10.664		\$ -	\$ 2,765	\$ 2,765	\$ -
Direct Award						
Rural Business Enterprise Grant	10.769	00-09	-	40,000	40,000	-
Total U.S. Department of Agriculture			-	42,765	42,765	-
U.S. Department of Justice Passed through State of Tennessee, Office of Criminal Justice Byrne Justice Assistance Grant	16.738	29905-0117	-	11,795	11,795	-
U.S. Department of Transportation Passed through State of Tennessee, Department of Transportation Highway Planning and Construction Cluster						
Highway Planning and Construction	20.205	84-LPLM-F0-016	4,686	4,686	14,320	14,320
Highway Planning and Construction	20.205	84-LPLM-S3-027	61,957	84,996	23,039	-
Total Highway Planning and Construction Cluster			66,643	89,682	37,359	14,320
Alcohol Open Container Requirements Grant	20.607	Z16GHS255	4,940	4,940	2,428	2,428
Total U.S. Department of Transportation			71,583	94,622	39,787	16,748
U.S. Department of Homeland Security Passed through State of Tennessee Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083	EMW-2012-FF-00363	-	34,662	47,417	12,755
Total Federal Awards			<u>\$ 71,583</u>	<u>\$ 183,844</u>	<u>\$ 141,764</u>	<u>\$ 29,503</u>

CITY OF MUNFORD, TENNESSEE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant activity of the City of Munford, Tennessee (the City) under programs of the federal government for the year ended June 30, 2017. 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, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 1) Expenditures reported on the Schedule are reported on the 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.
- 2) Pass-through entity identifying numbers are presented where available.
- 3) There were no federal awards passed through to subrecipients.
- 4) The City has elected not to use the de minimis indirect cost rate as allowed under the Uniform Guidance.

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 statements 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 27, 2018.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 2017-001, Allowance for Uncollectible Utility Billings Receivable; 2017-002, Reconcile Due To/From Other Funds

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*.

Response to Finding

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Watkins Mikusall, PLLC". The signature is written in a cursive, flowing style.

Memphis, Tennessee
February 27, 2018

CITY OF MUNFORD, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2017

A. SIGNIFICANT DEFICIENCIES

2017-001 Allowance for Uncollectible Utility Billings Receivable

Condition: The City's records did not include a calculation or documentation of an allowance for utility billings receivable deemed uncollectible.

Criteria: An allowance for uncollectible accounts receivable should be established at the time that accounts are deemed uncollectible. The allowance should take into account historical collectability trends as well as current information management may have about accounts.

Cause: Inadequate year end closing procedures.

Effect: Failure to provide for uncollectible accounts receivable overstates assets and understates expenses.

Recommendation: As a part of year end closing procedures, the aged accounts receivable register should be reviewed for outstanding balances to determine if they are uncollectible. Management's current methodology to reserve balances over 90 days old should be reviewed and the allowance appropriately adjusted. For these accounts that will not be actively pursued for collection, the balances should be written-off.

Views of Responsible Officials and Planned Corrective Actions: Management has agreed to review the aged accounts receivable subledger each year end and adjust the allowance or write-off uncollectible accounts.

2017-002 Reconcile Due To/From Other Funds

Condition: Payments against interfund receivables were recognized as other financing sources.

Criteria: Activity between funds that are representative of lending/borrowing arrangements should be recognized as due to/from other funds. Payments against these arrangements should be accounted for on the balance sheet.

Cause: Error in processing interfund payments.

Effect: Overstatement of General Fund revenue and due from other funds.

Recommendation: As part of year end closing procedures, due to/from other funds should be reconciled.

Views of Responsible Officials and Planned Corrective Action: Management has agreed to reconcile due to/from other funds accounts on a monthly basis.

CITY OF MUNFORD, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2017

A. PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

2014-001 Bank Reconciliations

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

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.

Current Status: The recommendation was adopted in fiscal year 2017. No similar findings were noted in the fiscal year 2017 audit.

2016-001 Record interfund 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.

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

Current Status: The recommendation was adopted in fiscal year 2017. No similar findings were noted in the fiscal year 2017 audit.

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.

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.

Current Status: The recommendation was adopted in fiscal year 2017. No similar findings were noted in the fiscal year 2017 audit.