

TOWN OF MONTEAGLE, TENNESSEE

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2019

**OFFICE OF
TOWN RECORDER**

CONTENTS

INTRODUCTORY SECTION -

Board of Aldermen and Town Officials	i
Organizational Chart.....	ii

FINANCIAL SECTION -

Independent Auditor's Report	Page 1-2
---	----------

Management's Discussion and Analysis	3-16
---	------

Basic Financial Statements -

Government-wide Financial Statements -

Statement of Net Position	17
Statement of Activities.....	18

Fund Financial Statements -

Balance Sheet - Governmental Funds	19
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	23-27
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - State Street Aid Fund.....	28
Statement of Net Position - Proprietary Fund	29
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	30
Statement of Cash Flows - Proprietary Fund	31
Notes to Financial Statements	32-44

Supplemental Section -

Individual Fund Schedule -

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Asset Replacement Fund	45
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Financial Schedules -

Schedule of Debt Service Requirements by Fiscal Year.....	46
Schedule of Changes in Long-term Debt by Individual Issue.....	47
Schedule of Municipal Utility Rates and Number of Customers.....	48
Schedule of Unaccounted for Water	49-50

INTERNAL CONTROL AND COMPLIANCE SECTION -

Independent Auditor's Report on Internal Control and on Compliance	51-52
Schedule of Audit Findings and Responses.....	53
Schedule of Prior Audit Findings	54

INTRODUCTORY SECTION

TOWN OF MONTEAGLE, TENNESSEE

Board of Aldermen and Town Officials

June 30, 2019

BOARD OF MAYOR AND ALDERMEN

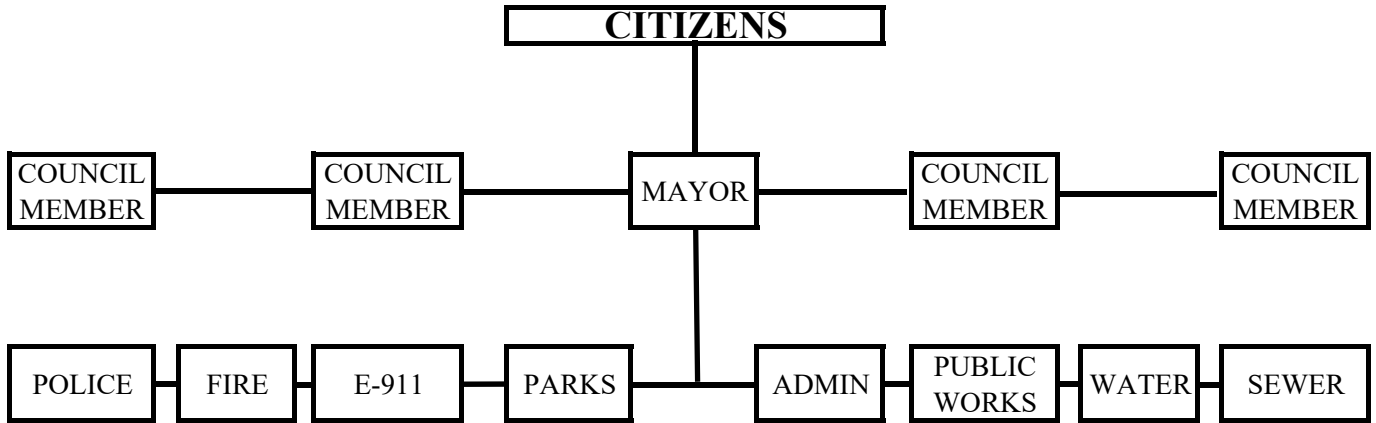
Mayor	David Sampley
Vice Mayor	Tony Gilliam
Alderman	Jessica Blalock
Alderman	Becky Byers
Alderman	Kenneth Gipson

TOWN OFFICIALS

Town Recorder	Debbie Taylor, CMFO
Building Inspector	Earl Geary, Jr.
E-911 Center	Wanda McDaniel
Police Chief	Virgil McNeese
Street Superintendent	Carl Cantrell
Utility Systems Supervisor	John Condra

TOWN OF MONTEAGLE, TENNESSEE

ORGANIZATIONAL CHART



FINANCIAL SECTION



JOB, HASTINGS & ASSOCIATES

Certified Public Accountants

745 SOUTH CHURCH STREET – BELMONT PARK

P.O. BOX 1175 MURFREESBORO, TN 37133-1175

(615) 893-7777 FAX: (615) 896-5990

www.jobehastings.com

James R. Jobe, CPA

Donna K. Hastings, CPA (*inactive*)

Joel H. Jobe (*1944 – 2006*)

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
Town of Monteagle, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Monteagle, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Monteagle, Tennessee's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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, and each major fund of the Town of Monteagle, Tennessee, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the State Street Aid Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Honorable Mayor and Board of Aldermen
Town of Monteagle, Tennessee

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-16 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 Town of Monteagle, Tennessee's basic financial statements. The introductory section, the individual fund financial schedule on page 45, and the financial schedules on pages 46 through 50, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedule and the financial schedules 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 individual fund schedule and the financial schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2020 on our consideration of the Town of Monteagle, Tennessee'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Monteagle, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Town of Monteagle, Tennessee's internal control over financial reporting and compliance.

Jobe, Hastings & Associates

Certified Public Accountants

Murfreesboro, Tennessee
January 23, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Monteagle, Tennessee, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Monteagle, Tennessee for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

Management believes the Town's financial condition is strong. Performances in most areas exceed expectations. The following are key financial highlights:

- Total assets at year-end of \$18,017,056 exceeded liabilities in the amount of \$14,804,457 (i.e. net position). Of the total net position, \$6,253,122 was unrestricted and was available to support short term operations. Total net position increased from fiscal year end 2018 in the amount of \$92,370.
- The Town's activities including both governmental and business-type activities operated at a positive operating income of \$92,370.
- As of the close of the current fiscal year, the Town of Monteagle, Tennessee's governmental funds reported combined ending fund balances of \$1,929,677.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$530,160, or 32% of General Fund expenditures and the Water and Sewer Fund unrestricted net position was \$4,036,483 or 274% of operating expenses.
- As of June 30, 2019, the working capital (current assets less current liabilities) for the Water and Sewer Fund was \$3,842,549.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The Town of Monteagle, Tennessee's basic financial statements comprises 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 Town of Monteagle, Tennessee's finances, in a manner similar to a private sector business.

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

The Statement of Activities presents information showing how the Town's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., payments on the capital lease).

Both of the government-wide financial statements distinguish functions of the Town of Monteagle, Tennessee that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Monteagle, Tennessee include general government, public safety, public works, convenience centers, state street aid and public welfare and recreation. The business-type activity of the Town of Monteagle, Tennessee includes the Water and Sewer Fund.

Fund Financial Statements

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

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 funds Balance Sheet and governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

The Town of Monteagle, Tennessee maintains three individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, State Street Aid Fund and the Capital Asset Replacement Fund, which are considered to be major funds.

Both of the government-wide financial statements distinguish functions of the Town of Monteagle, Tennessee that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Monteagle, Tennessee include general government, public safety, public works, convenience centers, state street aid and public welfare and recreation. The business-type activity of the Town of Monteagle, Tennessee includes the Water and Sewer Fund.

Proprietary Funds

The Town of Monteagle, Tennessee 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. The Town of Monteagle, Tennessee uses an enterprise fund to account for its water and sewer operations.

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

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 in this report.

Supplemental Information

The budgetary comparison schedule referred to earlier in connection with the Capital Asset Replacement Fund, as well as other financial schedules is presented immediately following the Notes to the Financial Statements.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Monteagle, Tennessee, assets exceeded liabilities by \$14,804,457 at the close of this fiscal year.

The largest portion of the Town of Monteagle, Tennessee's net position (57.72 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any debt used to acquire those assets that is still outstanding. The Town of Monteagle, Tennessee uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town of Monteagle, Tennessee'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.

Approximately, \$6,435, of the Town of Monteagle, Tennessee's net position represents resources that are subject to external restrictions on how they may be used. 42.24%, or \$6,253,122, in net position may be used to meet the government's ongoing obligations to its citizens and creditors.

At June 30, 2019, the Town of Monteagle, Tennessee is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following table A-1 provides a summary of the Town's net position broken down by governmental and business-type activities.

Table A-1
Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 2,504,044	\$ 2,533,336	\$ 4,104,393	\$ 3,852,631	\$ 6,608,437	\$ 6,385,967
Capital assets	2,775,817	2,789,091	8,632,802	8,952,648	11,408,619	11,741,739
Total assets	<u>\$ 5,279,861</u>	<u>\$ 5,322,427</u>	<u>\$ 12,737,195</u>	<u>\$ 12,805,279</u>	<u>\$ 18,017,056</u>	<u>\$ 18,127,706</u>
Current liabilities	\$ 245,410	\$ 185,528	\$ 52,122	\$ 55,989	\$ 297,532	\$ 241,517
Non-current liabilities	390,560	445,676	2,524,507	2,728,426	2,915,067	3,174,102
Total liabilities	<u>\$ 635,970</u>	<u>\$ 631,204</u>	<u>\$ 2,576,629</u>	<u>\$ 2,784,415</u>	<u>\$ 3,212,599</u>	<u>\$ 3,415,619</u>
Net position:						
Net investment in capital assets	\$ 2,420,817	\$ 2,399,091	\$ 6,124,083	\$ 6,238,059	\$ 8,544,900	\$ 8,637,150
Restricted	6,435	2,193	-	-	6,435	2,193
Unrestricted	2,216,639	2,289,939	4,036,483	3,782,805	6,253,122	6,072,744
Total net position	<u>\$ 4,643,891</u>	<u>\$ 4,691,223</u>	<u>\$ 10,160,566</u>	<u>\$ 10,020,864</u>	<u>\$ 14,804,457</u>	<u>\$ 14,712,087</u>

Changes in Net Position

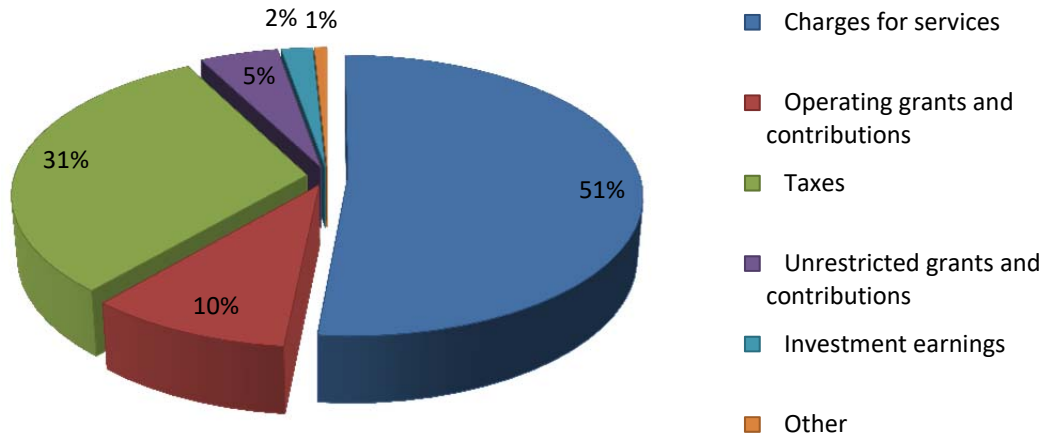
Governmental activities decreased the Town of Monteagle, Tennessee's net position by \$47,332. Business-type activities increased the Town of Monteagle, Tennessee's net position by \$139,702. The following table A-2 provides a summary of the Town's net position broken down by governmental and business-type activities.

Table A-2
Condensed Statement of Activities

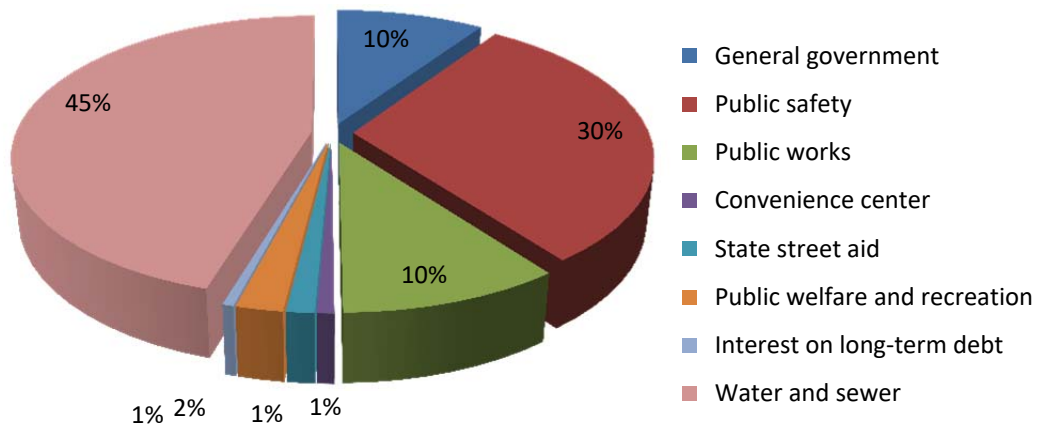
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	2019	2018	2019	2018	2019	2018
<u>Revenues</u>						
Program revenues:						
Charges for Services	\$ 146,528	\$ 139,139	\$ 1,628,864	\$ 1,677,487	\$ 1,775,392	\$ 1,816,626
Operating grants and contributions	336,184	228,514	-	-	336,184	228,514
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Taxes	1,065,955	1,026,191	-	-	1,065,955	1,026,191
Unrestricted grants and contributions	169,264	165,806	-	-	169,264	165,806
Investment earnings	36,579	34,111	31,278	12,551	67,857	46,662
Other	27,040	39,199	-	2,720	27,040	41,919
Total Revenue	<u>\$ 1,781,550</u>	<u>\$ 1,632,960</u>	<u>\$ 1,660,142</u>	<u>\$ 1,692,758</u>	<u>\$ 3,441,692</u>	<u>\$ 3,325,718</u>
<u>Expenses</u>						
General government	\$ 317,247	\$ 327,831	\$ -	\$ -	\$ 317,247	\$ 327,831
Public Safety	1,015,388	983,077	-	-	1,015,388	983,077
Public works	338,028	308,766	-	-	338,028	308,766
Convenience centers	26,436	-	-	-	26,436	-
State street aid	42,862	42,223	-	-	42,862	42,223
Public welfare and Recreation	71,839	81,575	-	-	71,839	81,575
Interest on long-term debt	17,082	14,605	-	-	17,082	14,605
Water and sewer	-	-	1,520,440	1,608,542	1,520,440	1,608,542
Total Expenses	<u>\$ 1,828,882</u>	<u>\$ 1,758,077</u>	<u>\$ 1,520,440</u>	<u>\$ 1,608,542</u>	<u>\$ 3,349,322</u>	<u>\$ 3,366,619</u>
Change in net position	\$ (47,332)	\$ (125,117)	\$ 139,702	\$ 84,216	\$ 92,370	\$ (40,901)
Net position – beginning, as previously reported	4,691,223	4,868,475	10,020,864	9,936,648	14,712,087	14,805,123
Prior Period Adjustment	-	(52,135)	-	-	-	(52,135)
Net position, beginning, as restated	<u>4,691,223</u>	<u>4,816,340</u>	<u>10,020,864</u>	<u>9,936,648</u>	<u>14,712,087</u>	<u>14,752,988</u>
Net position – ending	<u>\$ 4,643,891</u>	<u>\$ 4,691,223</u>	<u>\$ 10,160,566</u>	<u>\$ 10,020,864</u>	<u>\$ 14,804,457</u>	<u>\$ 14,712,087</u>

The following graphs summarize the \$3,441,692 of town-wide revenue by source and the associated \$3,349,322 of expense by program. The graphs combine data from both governmental and business-type activities.

Town-wide Sources of Revenue

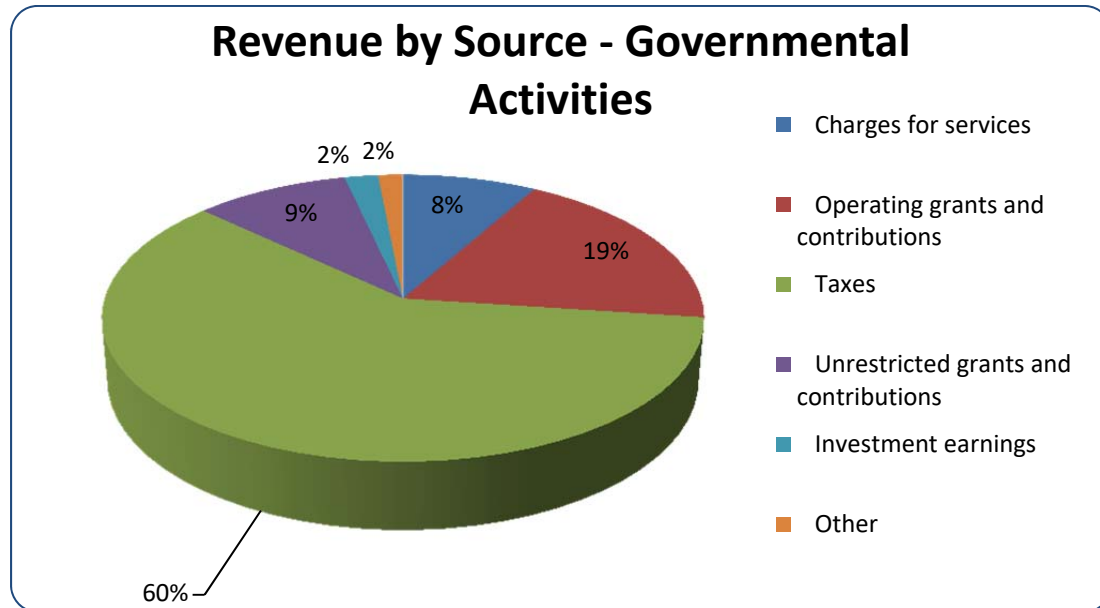


Town-wide Program Expenses

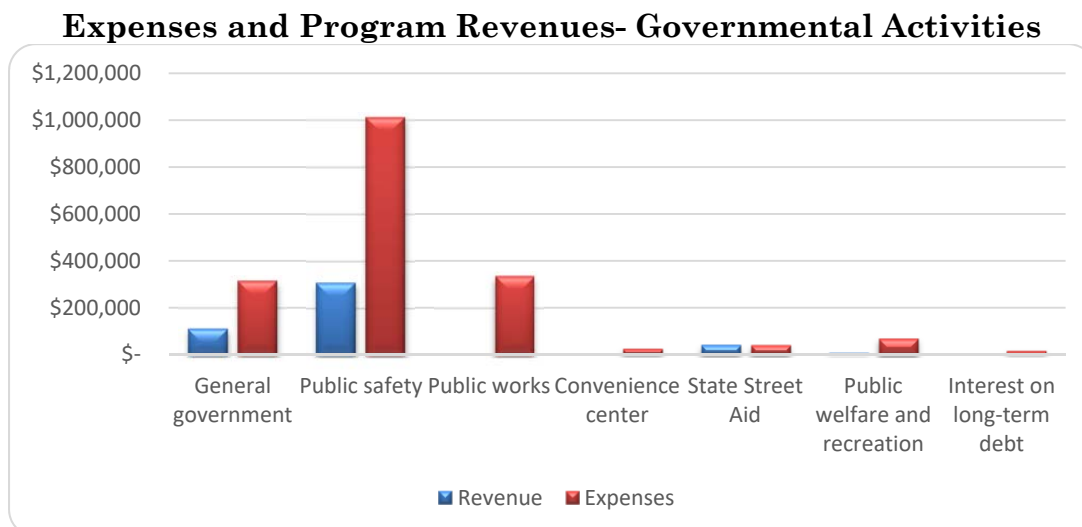


Governmental Activities

Governmental activities accounted for revenues of \$1,781,550. The following graph summarizes revenue by source.

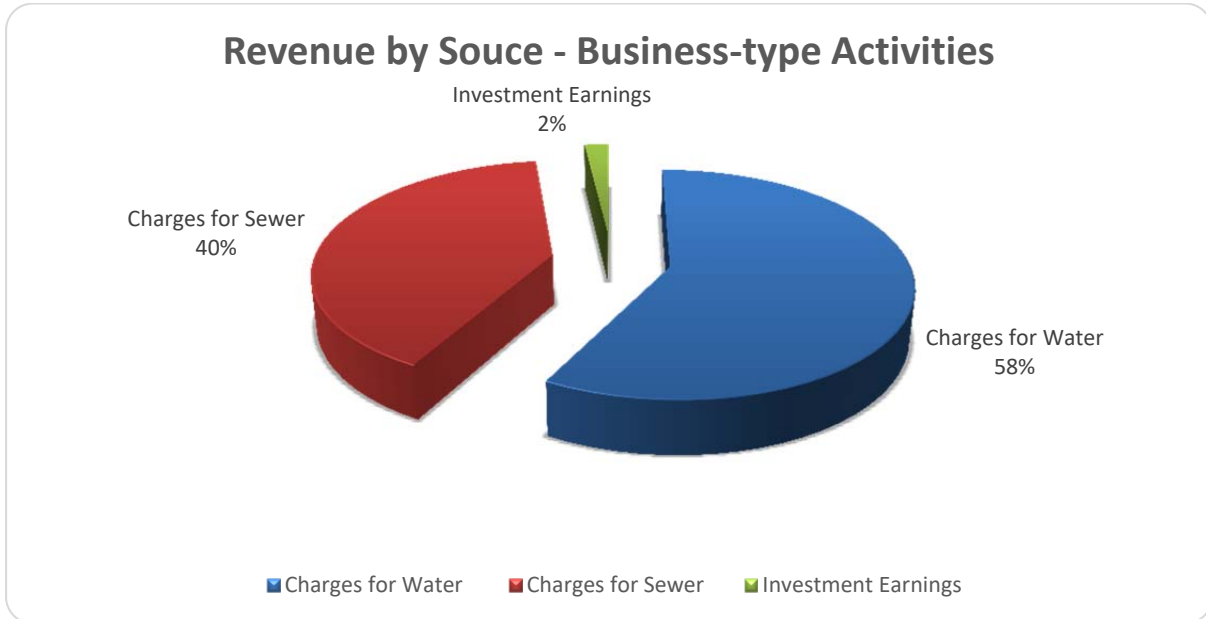


The following graph summarizes the revenue and related expense for each government program of the Town. The difference between expense and revenue is the financial burden placed on the Town for each program.

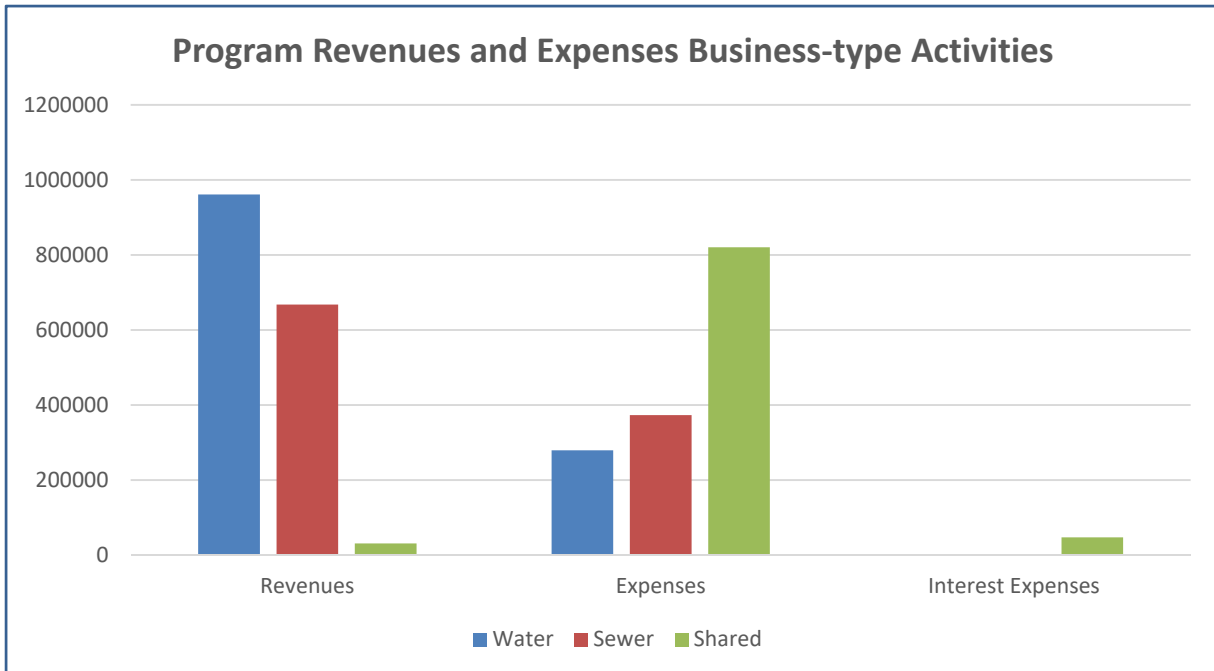


Business-type Activities

Business-type activities accounted for revenues of \$1,660,142. The following graph summarizes the revenue by source.



The following graph summarizes the revenue and related expense of operating the water and sewer system.



FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town of Monteagle, Tennessee uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

As of the end of the current fiscal year, the Town of Monteagle, Tennessee's governmental funds reported combined ending fund balances of \$1,929,677. Within the governmental funds, \$6,435 is restricted for street improvements in the State Street Aid Fund. This amount is restricted due to its special revenue classification and appears as restricted on the governmental Balance Sheet.

The General Fund is the chief operating fund of the Town of Monteagle, Tennessee. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$530,160. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 32% of total fund expenditures.

Proprietary Funds

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

Unrestricted net position at the end of the year amounted to \$4,036,483 for the Water and Sewer Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

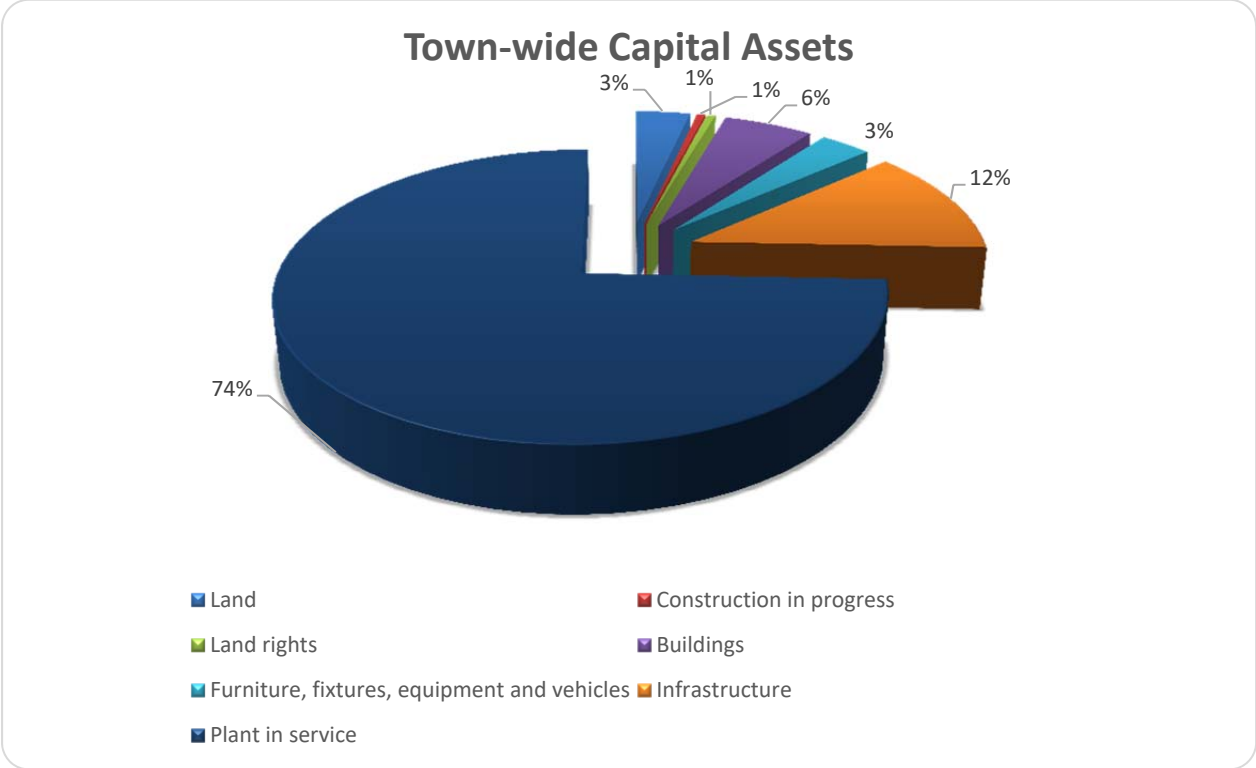
The Town of Monteagle, Tennessee's investment in capital assets for its governmental and business-type activities as of June 30, 2019 amounts to \$11,408,619 (net of accumulated depreciation). This investment in capital assets includes land, land rights, buildings, furniture, fixtures, equipment and vehicles, infrastructure and plant in service.

Table A-3 summarizes the Town's investment in capital assets and is broken down by governmental and business-type activities.

**Table A-3
Capital Assets (Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 396,444	\$ 396,444	\$ -	\$ -	\$ 396,444	\$ 396,444
Construction in Progress	58,895	32,144	-	-	58,895	32,144
Land rights			61,875	65,006	61,875	65,006
Buildings	651,856	667,641	-	-	651,856	667,641
Furniture, fixtures, equipment and vehicles	284,462	292,709	88,023	121,313	372,485	414,022
Infrastructure	1,384,160	1,400,153			1,384,160	1,400,153
Plant in service			8,482,904	8,766,329	8,482,904	8,766,329
Total Capital Assets	<u>\$ 2,775,817</u>	<u>\$ 2,789,091</u>	<u>\$ 8,632,802</u>	<u>\$ 8,952,648</u>	<u>\$ 11,408,619</u>	<u>\$ 11,741,739</u>

The following graph provides a breakdown of which assets make up the largest portion of the Town's total investment in capital assets. The graph combines assets used in both governmental and business-type activities.



During the period covered by this report the Town purchased new vehicles for the police; improvements to the Community Center, construction of new building for fire department, improvements to the water and sewer plants and completed several paving projects that were added to infrastructure. Additional information on the capital assets can be found in Note G of the Notes to the Financial Statements contained in this report.

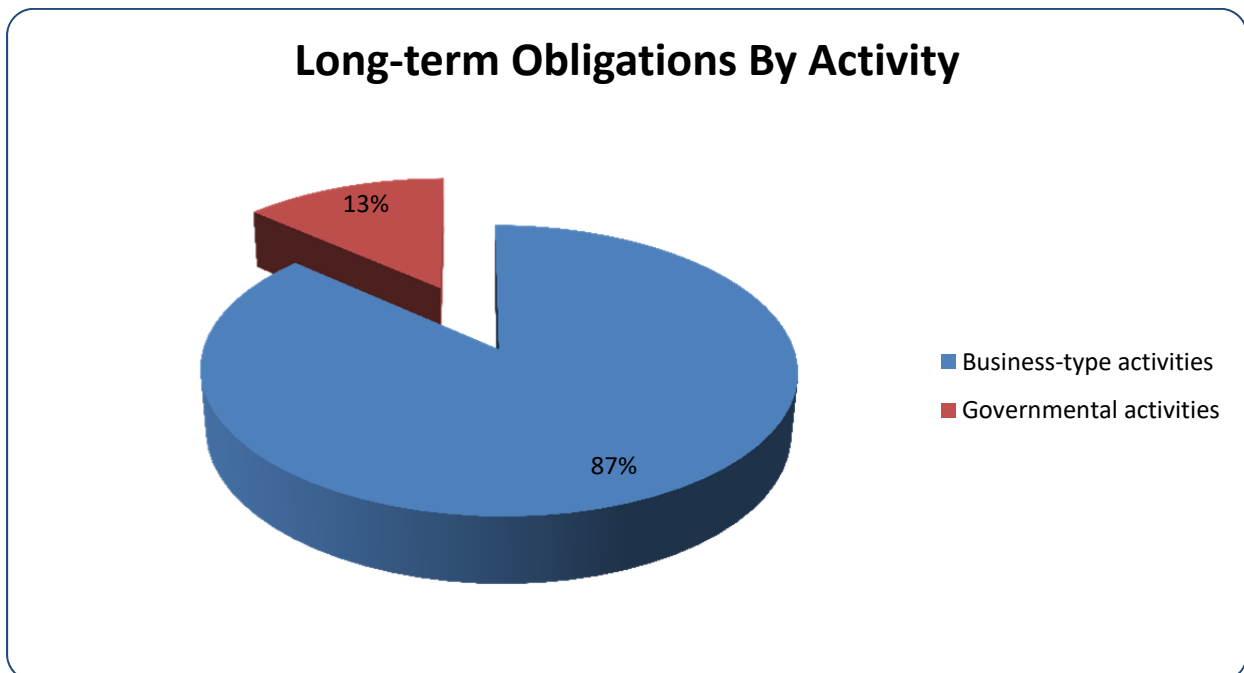
Town of Monteagle, Tennessee's Long-Term Obligations

At the end of the current fiscal year, the Town of Monteagle, Tennessee had total long-term obligations outstanding of \$2,915,067; of that amount \$295,211 is due in the next fiscal year. The table below summarizes outstanding long-term obligations broken down by governmental and business-type activities.

**Table A-4
Town of Monteagle Long-Term Obligations**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	2019	2018	2019	2018	2019	2018
General obligation refunding	\$ 355,000	\$ 390,000	\$ 60,000	\$ 90,000	\$ 415,000	\$ 480,000
Other loans payable			2,448,719	2,624,589	2,448,719	2,624,589
Total debt	\$ 355,000	\$ 390,000	\$ 2,508,719	\$ 2,714,589	\$ 2,863,719	\$ 3,104,589
Compensated absences	\$ 18,759	\$ 21,208	\$ 15,788	\$ 13,837	\$ 34,547	\$ 35,045
Due to Franklin County	16,801	34,468			16,801	34,468
Total other long-term obligations	\$ 35,560	\$ 55,676	\$ 15,788	\$ 13,837	\$ 51,348	\$ 69,513
	\$ 390,560	\$ 445,676	\$ 2,524,507	\$ 2,728,426	\$ 2,915,067	\$ 3,174,102
Less current portion	(72,746)	(70,694)	(222,465)	(217,632)	(295,211)	(288,326)
Total long-term obligations	\$ 317,814	\$ 374,982	\$ 2,302,042	\$ 2,510,794	\$ 2,619,856	\$ 2,885,776

The graph below, presents the breakdown between the Town's two types of activities.



Additional information on the outstanding long-term obligations can be found in Note H of this report.

Requests for Information

This financial report is designed to provide a general overview of the Town of Monteagle, Tennessee's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Town of Monteagle, Tennessee, P.O. Box 127, Monteagle, TN 37356.

TOWN OF MONTEAGLE, TENNESSEE

Statement of Net Position

June 30, 2019

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<u>ASSETS</u>			
Cash	\$ 1,950,746	\$ 2,718,093	\$ 4,668,839
Investments		1,221,242	1,221,242
Receivables, net of allowance for uncollectibles	198,123	200,906	399,029
Prepaid items	145		145
Internal balances	35,848	(35,848)	
Net investment in lease	319,182		319,182
Capital assets -			
Land and construction in progress	455,339		455,339
Other capital assets, net of depreciation	2,320,478	8,632,802	10,953,280
Total Assets	\$ <u>5,279,861</u>	\$ <u>12,737,195</u>	\$ <u>18,017,056</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 21,531	\$ 20,036	\$ 41,567
Accrued liabilities	66,137	19,343	85,480
Due to others	88,466		88,466
Unearned revenue	69,276		69,276
Deposits held		12,743	12,743
Long-term obligations -			
Due within one year	72,746	222,465	295,211
Due in more than one year	317,814	2,302,042	2,619,856
Total Liabilities	\$ <u>635,970</u>	\$ <u>2,576,629</u>	\$ <u>3,212,599</u>
<u>NET POSITION</u>			
Net investment in capital assets	\$ 2,420,817	\$ 6,124,083	\$ 8,544,900
Restricted for -			
Highways and streets	6,435		6,435
Unrestricted	2,216,639	4,036,483	6,253,122
Total Net Position	\$ <u>4,643,891</u>	\$ <u>10,160,566</u>	\$ <u>14,804,457</u>

See notes to financial statements.

TOWN OF MONTEAGLE, TENNESSEE

Statement of Activities

Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net Governmental Activities</u>	<u>Net Business-type Activities</u>	
Governmental activities -							
General government	\$ 317,247	\$ 115,211			\$ (202,036)		\$ (202,036)
Public safety	1,015,388	25,994	\$ 285,507		(703,887)		(703,887)
Public works	338,028				(338,028)		(338,028)
Convenience centers	26,436				(26,436)		(26,436)
State street aid	42,862		44,102		1,240		1,240
Public welfare and recreation	71,839	5,323	6,575		(59,941)		(59,941)
Interest on long-term debt	17,082				(17,082)		(17,082)
Total governmental activities	\$ <u>1,828,882</u>	\$ <u>146,528</u>	\$ <u>336,184</u>		\$ <u>(1,346,170)</u>		\$ <u>(1,346,170)</u>
Business-type activities -							
Water and sewer	\$ <u>1,520,440</u>	\$ <u>1,628,864</u>				\$ <u>108,424</u>	\$ <u>108,424</u>
Total business-type activities	\$ <u>1,520,440</u>	\$ <u>1,628,864</u>				\$ <u>108,424</u>	\$ <u>108,424</u>
Total primary government	\$ <u>3,349,322</u>	\$ <u>1,775,392</u>	\$ <u>336,184</u>		\$ <u>(1,346,170)</u>	\$ <u>108,424</u>	\$ <u>(1,237,746)</u>
General Revenues -							
Taxes -							
Sales taxes					\$ 604,872		\$ 604,872
Hotel/motel tax					223,127		223,127
Beer and liquor tax					223,232		223,232
Cable TV franchise tax					14,724		14,724
Grants and contributions not restricted to specific programs					169,264		169,264
Unrestricted investment earnings					36,579	\$ 31,278	67,857
Miscellaneous					27,040		27,040
Total general revenues and transfers					\$ <u>1,298,838</u>	\$ <u>31,278</u>	\$ <u>1,330,116</u>
Change in net position					\$ (47,332)	\$ 139,702	\$ 92,370
Net position - beginning					4,691,223	10,020,864	14,712,087
Net position - ending					\$ <u>4,643,891</u>	\$ <u>10,160,566</u>	\$ <u>14,804,457</u>

See notes to financial statements.

TOWN OF MONTEAGLE, TENNESSEE

Balance Sheet
Governmental Funds

June 30, 2019

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Capital Asset Replacement Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 1,077,110	\$ 5,972	\$ 867,664	\$ 1,950,746
Accounts receivable - net	41,053			41,053
Due from other funds	35,848		206,695	242,543
Due from other governments	153,181	3,889		157,070
Prepaid assets	145			145
Lease receivable	319,182			319,182
Total Assets	<u>\$ 1,626,519</u>	<u>\$ 9,861</u>	<u>\$ 1,074,359</u>	<u>\$ 2,710,739</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 18,105	\$ 3,426		\$ 21,531
Due to other funds	206,695			206,695
Due to others	105,267			105,267
Accrued liabilities	59,111			59,111
Unearned revenues	69,276			69,276
Total Liabilities	<u>\$ 458,454</u>	<u>\$ 3,426</u>		<u>\$ 461,880</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - capital lease	\$ 319,182			\$ 319,182
<u>FUND BALANCES</u>				
Restricted for:				
Street improvements		\$ 6,435		\$ 6,435
Committed for:				
Capital improvements			\$ 1,074,359	1,074,359
Assigned for:				
Budgetary assignment	\$ 318,723			318,723
Unassigned	530,160			530,160
Total Fund Balances	<u>\$ 848,883</u>	<u>\$ 6,435</u>	<u>\$ 1,074,359</u>	<u>\$ 1,929,677</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,626,519</u>	<u>\$ 9,861</u>	<u>\$ 1,074,359</u>	<u>\$ 2,710,739</u>

See notes to financial statements.

TOWN OF MONTEAGLE, TENNESSEE

**Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities**

June 30, 2019

Total Governmental Fund Balances	\$ 1,929,677
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,775,817
Other long-term assets are not available to pay for current- period expenditures and, therefore, are deferred in the funds.	319,182
Long-term liabilities, including bonds and loans payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(380,785)
Net Position of Governmental Activities	\$ <u>4,643,891</u>

See notes to financial statements.

TOWN OF MONTEAGLE, TENNESSEE

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2019

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Capital Asset Replacement Fund</u>	<u>Total Governmental Funds</u>
Revenues-				
Taxes	\$ 1,065,955			\$ 1,065,955
Licenses and permits	18,648			18,648
Intergovernmental	169,264	\$ 44,102		213,366
Fines and forfeitures	25,724			25,724
Charges for services	5,593			5,593
Other	442,525	2	\$ 9,737	452,264
Total Revenues	<u>\$ 1,727,709</u>	<u>\$ 44,104</u>	<u>\$ 9,737</u>	<u>\$ 1,781,550</u>
Expenditures-				
Current expenditures -				
General government	\$ 294,207			\$ 294,207
Public safety	932,268			932,268
Public works	280,721			280,721
Convenience centers	26,436			26,436
State street aid		\$ 42,862		42,862
Public welfare and recreation	43,433			43,433
Capital outlay	28,476		\$ 169,373	197,849
Debt service				
Principal	35,000			35,000
Interest	17,694			17,694
Total Expenditures	<u>\$ 1,658,235</u>	<u>\$ 42,862</u>	<u>\$ 169,373</u>	<u>\$ 1,870,470</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>\$ 69,474</u>	<u>\$ 1,242</u>	<u>\$ (159,636)</u>	<u>\$ (88,920)</u>
Other Financing Sources and Uses-				
Transfer in		\$ 3,000	\$ 196,800	\$ 199,800
Transfer out	\$ (199,800)			(199,800)
Capital lease receipts	34,362			34,362
Total Other Financing Sources and Uses	<u>\$ (165,438)</u>	<u>\$ 3,000</u>	<u>\$ 196,800</u>	<u>\$ 34,362</u>
Net change in Fund Balances	\$ (95,964)	\$ 4,242	\$ 37,164	\$ (54,558)
Fund Balances at beginning of year	944,847	2,193	1,037,195	1,984,235
Fund Balances at end of year	<u>\$ 848,883</u>	<u>\$ 6,435</u>	<u>\$ 1,074,359</u>	<u>\$ 1,929,677</u>

See notes to financial statements.

TOWN OF MONTEAGLE, 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, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ (54,558)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(13,274)
The repayment of principal on lease receivable is an other financing source in the governmental funds. This transaction, however, has no effect on net position. This is the amount of the repayments.	(34,362)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.	35,000
Some expenditures in the governmental funds are to be paid on a long-term basis and therefore are not reported as expenses in the statement of activities.	16,801
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.	3,061
Change in Net Position of Governmental Activities	\$ <u>(47,332)</u>

See notes to financial statements.

TOWN OF MONTEAGLE, TENNESSEE

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues -				
Taxes -				
Hotel/motel tax	\$ 265,720	\$ 265,720	\$ 223,127	\$ (42,593)
Local sales tax	625,000	625,000	604,872	(20,128)
Alcoholic beverage tax	91,000	91,000	91,439	439
Local beer tax	125,000	125,000	131,793	6,793
Franchise tax	13,000	13,000	14,724	1,724
Total taxes	<u>\$ 1,119,720</u>	<u>\$ 1,119,720</u>	<u>\$ 1,065,955</u>	<u>\$ (53,765)</u>
Licenses and Permits -				
Building licenses and permits	<u>\$ 24,000</u>	<u>\$ 24,000</u>	<u>\$ 18,648</u>	<u>\$ (5,352)</u>
Intergovernmental Revenues -				
State sales tax allocation	\$ 100,000	\$ 100,000	\$ 105,470	\$ 5,470
State mixed drink tax	16,000	16,000	12,898	(3,102)
State beer tax	600	600	552	(48)
State income tax	33,000	33,000	36,228	3,228
TVA In lieu of tax	13,500	13,500	14,116	616
State city streets and transportation	36,000	36,000		(36,000)
Total intergovernmental	<u>\$ 199,100</u>	<u>\$ 199,100</u>	<u>\$ 169,264</u>	<u>\$ (29,836)</u>
Fines and Forfeitures -				
Court fines	<u>\$ 17,400</u>	<u>\$ 17,400</u>	<u>\$ 25,724</u>	<u>\$ 8,324</u>
Charges for Services -				
Summer league ball			\$ 4,044	\$ 4,044
Parks and recreation concessions			1,279	1,279
Fees and commissions	\$ 500	\$ 500	270	(230)
Total charges for services	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 5,593</u>	<u>\$ 5,093</u>
Other Revenue -				
E-911 contributions	\$ 243,045	\$ 243,045	\$ 280,579	\$ 37,534
Miscellaneous	32,000	32,000	27,040	(4,960)
Interest	960	960	1,202	242
Capital lease interest	25,638	25,638	25,638	
Rent of facilities	86,000	86,000	96,563	10,563
Recreation donations	1,500	1,500	650	(850)
Other donations	4,600	4,600	5,925	1,325
Fire department donations	1,800	1,800	4,928	3,128
Total other revenue	<u>\$ 395,543</u>	<u>\$ 395,543</u>	<u>\$ 442,525</u>	<u>\$ 46,982</u>
TOTAL REVENUES	<u>\$ 1,756,263</u>	<u>\$ 1,756,263</u>	<u>\$ 1,727,709</u>	<u>\$ (28,554)</u>

(continued)

TOWN OF MONTEAGLE, TENNESSEE

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (continued)

Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures -				
General Government -				
Board of mayor and aldermen -				
Salaries	\$ 24,000	\$ 24,000	\$ 21,600	\$ 2,400
Travel and training	2,700	2,700	100	2,600
Payroll tax	1,836	1,836	1,652	184
Professional and contract services	8,500	8,500	10,022	(1,522)
Supplies	4,000	4,000	1,765	2,235
Total board of mayor and aldermen	<u>\$ 41,036</u>	<u>\$ 41,036</u>	<u>\$ 35,139</u>	<u>\$ 5,897</u>
Office of mayor -				
Salaries	\$ 12,000	\$ 12,000	\$ 12,000	
Travel and training	2,800	2,800		\$ 2,800
Payroll tax	918	918	918	
Tourism	10,000	10,000	8,265	1,735
Miscellaneous	8,950	8,950	4,182	4,768
Supplies	1,900	1,900	1,442	458
Total office of mayor	<u>\$ 36,568</u>	<u>\$ 36,568</u>	<u>\$ 26,807</u>	<u>\$ 9,761</u>
City recorder -				
Salaries	\$ 30,826	\$ 30,826	\$ 35,076	\$ (4,250)
Travel and training	2,050	2,050	2,193	(143)
Payroll tax	2,374	2,374	2,665	(291)
Insurance	16,800	16,800	16,676	124
Repairs and maintenance	7,000	7,000	2,156	4,844
Advertising	3,300	3,300	1,604	1,696
Professional and contract services	46,000	46,000	43,346	2,654
Miscellaneous	7,100	7,100	7,286	(186)
Supplies	9,200	9,200	10,020	(820)
Dues and subscriptions	2,000	2,000	2,753	(753)
Total city recorder	<u>\$ 126,650</u>	<u>\$ 126,650</u>	<u>\$ 123,775</u>	<u>\$ 2,875</u>
Planning and zoning -				
Salaries	\$ 15,660	\$ 24,860	\$ 20,624	\$ 4,236
Travel and training	275	275		275
Payroll tax	1,210	2,010	1,578	432
Supplies	300	300	210	90
Planning services	17,500	7,500	7,500	
Total planning and zoning	<u>\$ 34,945</u>	<u>\$ 34,945</u>	<u>\$ 29,912</u>	<u>\$ 5,033</u>
Other general government -				
Utilities and telephone	\$ 39,475	\$ 39,475	\$ 33,873	\$ 5,602
Contractual services	6,300	6,300	6,953	(653)
Vehicle expense	75	75		75
Insurance	47,000	47,000	36,998	10,002
Miscellaneous	5,250	5,250	750	4,500
Total other general government	<u>\$ 98,100</u>	<u>\$ 98,100</u>	<u>\$ 78,574</u>	<u>\$ 19,526</u>
Total general government	<u>\$ 337,299</u>	<u>\$ 337,299</u>	<u>\$ 294,207</u>	<u>\$ 43,092</u>

(continued)

TOWN OF MONTEAGLE, TENNESSEE

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (continued)

Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Public Safety -				
Police Department -				
Salaries	\$ 343,240	\$ 343,240	\$ 335,435	\$ 7,805
Travel and training	2,400	2,400	2,578	(178)
Insurance	70,520	70,520	47,187	23,333
Payroll tax	26,265	26,265	25,313	952
Repairs and maintenance	35,000	35,000	18,672	16,328
Vehicle expense	22,000	22,000	19,001	2,999
Contract services	4,600	4,600	4,459	141
Miscellaneous	1,600	1,600	1,018	582
Uniforms	2,010	2,010	1,460	550
Supplies	10,000	10,000	6,785	3,215
Utilities and telephone	9,500	9,500	6,504	2,996
Total police department	<u>\$ 527,135</u>	<u>\$ 527,135</u>	<u>\$ 468,412</u>	<u>\$ 58,723</u>
Communications -				
Salaries	\$ 303,300	\$ 303,300	\$ 278,652	\$ 24,648
Travel and training	1,250	1,250	518	732
Payroll tax	23,215	23,215	21,041	2,174
Insurance	79,800	79,800	61,009	18,791
Repairs and maintenance	2,500	2,500	110	2,390
Miscellaneous	1,500	1,500	7,304	(5,804)
Supplies	3,000	3,000	3,139	(139)
Utilities and telephone			3,938	(3,938)
Total communications	<u>\$ 414,565</u>	<u>\$ 414,565</u>	<u>\$ 375,711</u>	<u>\$ 38,854</u>
Fire Department -				
Salaries	\$ 8,520	\$ 8,520	\$ 8,684	\$ (164)
Payroll tax	654	654	664	(10)
Rent	14,400	14,400	13,200	1,200
Repairs and maintenance	23,500	23,500	24,053	(553)
Vehicle expense	2,800	2,800	3,005	(205)
Miscellaneous	3,200	3,200	1,747	1,453
Supplies	4,000	4,000	7,707	(3,707)
Clothing and uniforms	3,000	3,000	3,210	(210)
Utilities and telephone	8,800	8,800	11,063	(2,263)
Contract services	12,875	12,875	14,812	(1,937)
Total fire department	<u>\$ 81,749</u>	<u>\$ 81,749</u>	<u>\$ 88,145</u>	<u>\$ (6,396)</u>
Total public safety	<u>\$ 1,023,449</u>	<u>\$ 1,023,449</u>	<u>\$ 932,268</u>	<u>\$ 91,181</u>
Convenience centers -				
Salaries	\$ 39,550	\$ 39,550	\$ 24,557	\$ 14,993
Payroll tax	3,040	3,040	1,879	1,161
Repairs and maintenance	750	750		750
Total convenience centers	<u>\$ 43,340</u>	<u>\$ 43,340</u>	<u>\$ 26,436</u>	<u>\$ 16,904</u>

(continued)

TOWN OF MONTEAGLE, TENNESSEE

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (continued)

Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public Works -				
Salaries	\$ 163,300	\$ 163,300	\$ 163,279	\$ 21
Insurance	29,000	29,000	28,485	515
Payroll tax	12,500	12,500	12,341	159
Repairs and maintenance	13,000	13,000	48,365	(35,365)
Vehicle expense	5,500	5,500	8,840	(3,340)
Judgments and awards	17,667	17,667	17,379	288
Utilities and telephone	46,980	46,980		46,980
Miscellaneous	2,650	2,650	2,032	618
Total public works	<u>\$ 290,597</u>	<u>\$ 290,597</u>	<u>\$ 280,721</u>	<u>\$ 9,876</u>
Public Welfare and Recreation -				
Parks and recreation -				
Contract services	\$ 1,700	\$ 1,700	\$ 2,211	\$ (511)
Supplies	4,000	4,000	2,182	1,818
Repairs and maintenance	6,500	6,500	3,303	3,197
Program services	17,200	17,200	18,831	(1,631)
Total parks and recreation	<u>\$ 29,400</u>	<u>\$ 29,400</u>	<u>\$ 26,527</u>	<u>\$ 2,873</u>
Libraries -				
Salaries	\$ 23,950	\$ 23,950	\$ 15,705	\$ 8,245
Payroll tax	1,860	1,860	1,201	659
Total libraries	<u>\$ 25,810</u>	<u>\$ 25,810</u>	<u>\$ 16,906</u>	<u>\$ 8,904</u>
Total public welfare and recreation	<u>\$ 55,210</u>	<u>\$ 55,210</u>	<u>\$ 43,433</u>	<u>\$ 11,777</u>
Capital outlay -				
Public safety	\$ 28,500	\$ 28,500	\$ 18,581	\$ 9,919
Public works			9,895	(9,895)
Total capital outlay	<u>\$ 28,500</u>	<u>\$ 28,500</u>	<u>\$ 28,476</u>	<u>\$ 24</u>
Debt service -				
Principal paid	\$ 35,000	\$ 35,000	\$ 35,000	
Interest	17,694	17,694	17,694	
Total debt service	<u>\$ 52,694</u>	<u>\$ 52,694</u>	<u>\$ 52,694</u>	
TOTAL EXPENDITURES	<u>\$ 1,831,089</u>	<u>\$ 1,831,089</u>	<u>\$ 1,658,235</u>	<u>\$ 172,854</u>

(continued)

TOWN OF MONTEAGLE, TENNESSEE

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (continued)

Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ <u>(74,826)</u>	\$ <u>(74,826)</u>	\$ <u>69,474</u>	\$ <u>144,300</u>
Other Financing Sources and Uses -				
Capital lease	\$ 34,362	\$ 34,362	\$ 34,362	
Transfer out	<u>(202,585)</u>	<u>(202,585)</u>	<u>(199,800)</u>	\$ <u>2,785</u>
Total Other Financing Sources and Uses	\$ <u>(168,223)</u>	\$ <u>(168,223)</u>	\$ <u>(165,438)</u>	\$ <u>2,785</u>
Net change in fund balance	\$ <u><u>(243,049)</u></u>	\$ <u><u>(243,049)</u></u>	\$ (95,964)	\$ <u><u>147,085</u></u>
Fund Balance at beginning of year			944,847	
Fund Balance at end of year			\$ <u><u>848,883</u></u>	

See notes to financial statements.

TOWN OF MONTEAGLE, TENNESSEE

State Street Aid Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues -				
Intergovernmental -				
State gas and motor fuel tax	\$ 36,000	\$ 36,000	\$ 44,102	\$ 8,102
Other -				
Interest	4	4	2	(2)
Total Revenues	<u>\$ 36,004</u>	<u>\$ 36,004</u>	<u>\$ 44,104</u>	<u>\$ 8,100</u>
Expenditures -				
Current expenditures -				
State street aid				
Electricity - street lights	\$ 47,000	\$ 47,000	\$ 42,838	\$ 4,162
Bank service charges			24	(24)
Total Expenditures	<u>\$ 47,000</u>	<u>\$ 47,000</u>	<u>\$ 42,862</u>	<u>\$ 4,138</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>\$ (10,996)</u>	<u>\$ (10,996)</u>	<u>\$ 1,242</u>	<u>\$ 12,238</u>
Other Financing Sources and Uses -				
Transfer in	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ 3,000</u>	<u>\$ (8,000)</u>
Total Other Financing Sources and Uses	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ 3,000</u>	<u>\$ (8,000)</u>
Net change in fund balance	<u>\$ 4</u>	<u>\$ 4</u>	\$ 4,242	<u>\$ 4,238</u>
Fund Balance at beginning of year			2,193	
Fund Balance at end of year			<u>\$ 6,435</u>	

See notes to financial statements.

TOWN OF MONTEAGLE, TENNESSEE

Statement of Net Position
Proprietary Fund

June 30, 2019

	Enterprise Water and Sewer Fund
<u>ASSETS</u>	
Current Assets -	
Cash	\$ 2,718,093
Investments	1,221,242
Accounts receivable - net	200,906
Total Current Assets	\$ 4,140,241
Long-term Assets -	
Capital Assets -	
Other capital assets, net of depreciation	\$ 8,632,802
Total Long-term Assets	\$ 8,632,802
Total Assets	\$ 12,773,043
<u>LIABILITIES AND NET POSITION</u>	
Current Liabilities -	
Accounts payable	\$ 20,036
Due to other funds	35,848
Accrued liabilities	19,343
Compensated absences - current	13,420
Notes from direct borrowings and direct placements - current	209,045
Total Current Liabilities	\$ 297,692
Long-term Liabilities -	
Customer deposits	\$ 12,743
Compensated absences	2,368
Notes from direct borrowings and direct placements	2,299,674
Total Long-term Liabilities	\$ 2,314,785
Total Liabilities	\$ 2,612,477
Net Position -	
Net investment in capital assets	\$ 6,124,083
Unrestricted	4,036,483
Total Net Position	\$ 10,160,566
Total Liabilities and Net Position	\$ 12,773,043

See notes to financial statements.

TOWN OF MONTEAGLE, TENNESSEE

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund

Year Ended June 30, 2019

	<u>Enterprise</u> <u>Water</u> <u>and Sewer</u> <u>Fund</u>
Operating Revenues -	
Water sales and sewer charges	\$ 1,611,379
Connection fees	17,485
Total operating revenue	<u>\$ 1,628,864</u>
Operating Expenses -	
Water transmission and treatment	\$ 224,727
Sewer treatment	233,369
Water maintenance	54,494
Sewer maintenance	139,772
Administration	439,989
Depreciation	380,498
Total operating expenses	<u>\$ 1,472,849</u>
Operating Income	<u>\$ 156,015</u>
Non-operating Revenues (Expenses) -	
Interest revenue	\$ 31,278
Interest expense	(47,591)
Total non-operating revenues (expenses)	<u>\$ (16,313)</u>
Change in Net Position	\$ 139,702
Net Position at beginning of year	10,020,864
Net Position at end of year	<u><u>\$ 10,160,566</u></u>

See notes to financial statements.

TOWN OF MONTEAGLE, TENNESSEE

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2019

	<u>Enterprise</u> <u>Water and</u> <u>and Sewer</u> <u>Fund</u>
Cash Flows from Operating Activities -	
Receipts from customers	\$ 1,621,035
Payments to suppliers	(723,330)
Payments to employees	(355,113)
Net Cash Provided (Used) by Operating Activities	<u>\$ 542,592</u>
Cash Flows from Capital and Related Financing Activities -	
Principal paid on notes	\$ (205,870)
Interest paid on notes	(47,568)
Acquisition and construction of capital assets	(60,652)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (314,090)</u>
Cash Flows From Investing Activities -	
Interest revenue	\$ 10,154
Net Cash Provided (Used) by Investing Activities	<u>\$ 10,154</u>
Net Increase (Decrease) in cash	\$ 238,656
Cash at beginning of year	<u>2,479,437</u>
Cash at end of year	<u><u>\$ 2,718,093</u></u>
Reconciliation of Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 156,015
Adjustments to reconcile operating income (loss) to net	
cash provided (used) by operating activities	
Depreciation	380,498
Provision for doubtful accounts	4,165
Changes in assets and liabilities -	
(Increase) decrease in accounts receivable	(20,042)
Increase (decrease) in accounts payable	(12,598)
Increase (decrease) in due to other funds	23,895
Increase (decrease) in accrued liabilities	4,413
Increase (decrease) in compensated absences	1,951
Increase (decrease) in customer deposits	4,295
Net Cash Provided (Used) by Operating Activities	<u>\$ 542,592</u>
Non-Cash Capital and Related Financing Activities -	
Reinvested interest on investments	<u>\$ 21,124</u>

See notes to financial statements.

TOWN OF MONTEAGLE, TENNESSEE

Notes to Financial Statements

June 30, 2019

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Monteagle, Tennessee (the "Town") operates under a Mayor and Board of Aldermen form of government. The Town's major operations include the following departments: general government, public safety, public works, state street aid, and public welfare and recreation. In addition, the Town owns and operates a water and sewer system.

The accounting and reporting policies of the Town relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*. The GASB periodically updates its codification of the existing Governmental Accounting Standards, which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant accounting policies of the Town are described below.

Reporting Entity

The Town, for financial purposes, includes all the funds relevant to the operations of the Town of Monteagle, Tennessee (the primary government). The Town is also required to include in its financial statements those separately administered organizations (component units) with which the Town has significant operational or financial relationships. The criteria for including organizations as component units within the Town's reporting entity include whether the organization is legally separate and whether the Town holds the corporate powers, whether the Town appoints a majority of the organization's board and is able to impose its will, and the ability of the organization to impose a financial benefit or burden on the Town. Based on the foregoing criteria, the Town of Monteagle has no component units.

Government-wide and Fund 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. *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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity 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 the 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. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due.

TOWN OF MONTEAGLE, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2019

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sales taxes, franchise taxes, beer and liquor taxes, hotel and motel taxes, state and federal grants, E-911 contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The financial transactions of the Town are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classifications within the financial statements.

The Town reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the Town. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

State Street Aid Fund - The State Street Aid fund is used to account for maintenance and safety of all non-state streets in the Town. Revenues are provided from a portion of the State of Tennessee gasoline and motor fuels tax.

Capital Asset Replacement Fund - The Capital Asset Replacement fund was established to purchase general government capital assets such as buildings, vehicles, equipment and infrastructure.

The Town reports the following major proprietary fund:

Water and Sewer Fund - The Water and Sewer Fund accounts for revenues and expenses related to potable water and sanitary sewer services provided to residents of the Town.

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

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 are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents - Cash consists of cash-on-hand and on-deposit with financial institutions. For purposes of reporting cash on the Statement of Net Position, the Town considers unrestricted highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash is reported on the Statement of Cash Flows as "Cash". At June 30, 2019, the Town had no cash equivalents.

Investments - All investments are stated at fair value for all funds. Investments at June 30, 2019 are comprised solely of certificates of deposit.

TOWN OF MONTEAGLE, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2019

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets and Depreciation - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., primary roads, secondary roads, drainage), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Town's policy is to capitalize the net interest cost incurred during the year resulting from borrowings utilized to finance the construction of assets.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements and the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

Depreciation of capital assets is computed and recorded by the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings	5-40 years
Furniture, fixtures, equipment and vehicles	3-10 years
Infrastructure	20 years
Land rights	39 years
Plant in service	5-40 years

Compensated Absences - Town employees are paid for vacation and absence due to sickness by prescribed formulas based on length of service. Vacation and sick leave for employees of governmental funds are recorded as expenditures in the period they are used and considered payable from current financial resources. Sick leave does not vest for Town employees, so no liability exists at year-end. Vacation leave is based on employment date, and up to 160 hours of unused vacation leave can carryover beyond the end of the fiscal year-end. Compensated absences (accrued vacation) are accrued in the government-wide and proprietary fund financial statements.

Long-term Debt and Other Long-Term Obligations - In government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond and loan issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Other Postemployment Benefits (OPEB) - In 2019, the Town opted out of the retiree health insurance benefits provided through the Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. Therefore, no liability for the total OPEB liability has been recorded at June 30, 2019.

Deferred Inflows of Resources - In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of fund balance or net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The outstanding balance of the lease receivable is reported as deferred inflows of resources.

Fund balance - Governmental funds utilize a fund balance presentation of equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance includes amounts that cannot be spent because they are either not in a spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance includes amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

TOWN OF MONTEAGLE, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2019

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund balance (continued) –

Committed fund balance Committed fund balance classification includes amounts that can be used only for specific purposes imposed by a formal action of the government's highest level of decision-making authority. The Board of Aldermen is the highest level of decision making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by ordinance remains in place until a similar action is taken (adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance is intended to be used by the Town for specific purposes but do not meet the classification as committed. This limitation can be imposed by a designee of the Board of Aldermen. The Board of Aldermen may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

Unassigned fund balance is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

Fund Balance Flow Assumption - When both restricted and unrestricted fund balances are available for use, it is the Town's policy to use restricted fund balance first, then unrestricted fund balance. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the Town that committed fund balances would be reduced first, followed by assigned amounts, and then unassigned amounts.

Net Investment in Capital Assets - 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, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position - Restricted net position is reported as restricted when constraints placed on net position are either: (1) Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - Unrestricted net position consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

Estimates - Management is required to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Change in Accounting Principle - During the year ended June 30, 2019, the Town implemented GASB Statement 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*". The objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The current year financial statement disclosures conform with this statement.

TOWN OF MONTEAGLE, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2019

Note B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that, "long-term liabilities, including bonds and loans payable, are not due and payable in the current period and, therefore, are not reported in the funds". The details of this \$(380,785) difference are as follows:

Long-term debt	\$ (355,000)
Compensated absences	(18,759)
Accrued interest	(7,026)
	<u>\$ (380,785)</u>

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *change in net position of governmental activities* as reported in the government-wide financial statement of activities. One element of that reconciliation explains that, "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period". The details of this \$(13,274) difference are as follows:

Capital outlay	\$ 184,968
Depreciation expense	(198,242)
	<u>\$ (13,274)</u>

Another element of that reconciliation states that, "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." The details of this \$3,061 difference are as follows:

Change in compensated absences	\$ 2,449
Change in accrued interest on long-term debt	612
	<u>\$ 3,061</u>

Note C - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting - General governmental revenue and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements, which govern the Town's operations.

Each year during April and May, budget requests from departments are submitted to the Town Recorder. Budget items submitted are discussed at these regularly scheduled meetings and in special work session meetings in June.

Subsequently the budget is enacted through vote of the Aldermen with an operative date of July 1. Budgets, as adopted and amended, are adopted for the General Fund, Special Revenue Funds, and Capital Project Fund on a basis consistent with generally accepted accounting principles. These formal budgets are adopted on a departmental basis. The Town Mayor is authorized to transfer budgeted amounts between departments within any fund. However, any revision that alters the total expenditures of any fund must be approved by the Board of Aldermen. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations that are not expended lapse at year end.

Note D - DEPOSITS AND INVESTMENTS

Credit Risk - The Town has adopted a policy to minimize the risk of loss due to the failure of the security issuer or backer by: limiting investments to the safest types of securities; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Town of Monteagle will do business; diversifying the investment portfolio so that potential losses on individual securities will be minimized.

TOWN OF MONTEAGLE, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2019

Note D - DEPOSITS AND INVESTMENTS (continued)

Interest rate risk - The Town has adopted a policy to minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rate by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in short-term securities, money market mutual funds, or similar investment pools. At June 30, 2019, the Town has elected to invest only in certificates of deposit.

Custodial credit risk - deposits and investments - This is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town has adopted a deposit and investment policy for custodial credit risk, which allows for deposits and investments to only be held with authorized financial dealers and institutions. All financial institutions who desire to become qualified for investment transactions must supply annual audited financial statements or be an active member of the State Collateral Pool. If the financial institution is not an active member of the State Collateral Pool, the deposits must be covered by either Federal Depository Insurance or collateral securities held by the institution in the Town's name, with collateral whose market value is equal to 105% of the uninsured amount of the deposits. As of June 30, 2019, the carrying amount of the Town's deposits was \$5,887,704 and the bank balance was \$5,938,233. At year end, the Town's bank balances were fully collateralized.

The carrying amount of the Town's deposits is classified as follows on the Statement of Net Position:

Cash	\$ 4,668,839
Investments in certificates of deposit	1,221,242
Less: cash on hand	<u>(2,377)</u>
Total	<u>\$ 5,887,704</u>

Investments - The Town's investment policy authorizes the investment of operating funds in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and state pooled investment fund, state bonds if they have a rating of A or higher, nonconvertible debt securities of certain federal government sponsored enterprises which are chartered by the United States Congress provided that such securities are rated in the highest category by at least two nationally recognized rating services. 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. The Town's investments are carried at fair value which is based on quoted market prices, and consist of certificates-of-deposit totaling \$1,221,242. The Town's investments are listed on the Statement of Net Position as "Investments".

Note E - ACCOUNTS RECEIVABLE-NET

Receivables at June 30, 2019, consist of the following:

	<u>General Fund</u>	<u>Water and Sewer Fund</u>
Customer receivables		\$ 227,385
Less: allowance for doubtful accounts		<u>(26,479)</u>
Local alcoholic beverage tax	\$ 7,722	
Local beer tax	10,254	
Local occupancy tax	21,126	
Local franchise tax	<u>1,951</u>	
Total	<u>\$ 41,053</u>	<u>\$ 200,906</u>

TOWN OF MONTEAGLE, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2019

Note F - DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2019, consist of the following:

	General Fund	State Street Aid Fund	Total
Local sales tax	\$ 105,300		\$ 105,300
State sales tax	9,318		9,318
Mixed drink tax	2,335		2,335
State income tax	36,228		36,228
State gas and motor fuel tax		\$ 3,889	3,889
Total	<u>\$ 153,181</u>	<u>\$ 3,889</u>	<u>\$ 157,070</u>

Note G - CAPITAL ASSETS

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

	Balance June 30, 2018	Increases	Decreases	Transfers	Balance June 30, 2019
<u>Governmental activities -</u>					
Capital assets not being depreciated -					
Land	\$ 396,444				\$ 396,444
Construction in progress	32,144	\$ 26,751			58,895
Subtotal	<u>\$ 428,588</u>	<u>\$ 26,751</u>			<u>\$ 455,339</u>
Capital assets being depreciated -					
Buildings	\$ 1,230,887	\$ 13,661			\$ 1,244,548
Furniture, fixtures, equipment and vehicles	1,351,376	73,055	\$ 26,043	\$ 3,401	1,401,789
Infrastructure	1,700,885	71,501			1,772,386
Subtotal	<u>\$ 4,283,148</u>	<u>\$ 158,217</u>	<u>\$ 26,043</u>	<u>\$ 3,401</u>	<u>\$ 4,418,723</u>
Less accumulated depreciation for:					
Buildings	\$ 563,246	\$ 29,446			\$ 592,692
Furniture, fixtures, equipment and vehicles	1,058,667	81,302	\$ 26,043	\$ 3,401	1,117,327
Infrastructure	300,732	87,494			388,226
Subtotal	<u>\$ 1,922,645</u>	<u>\$ 198,242</u>	<u>\$ 26,043</u>	<u>\$ 3,401</u>	<u>\$ 2,098,245</u>
Capital assets, being depreciated, net	<u>\$ 2,360,503</u>	<u>\$ (40,025)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,320,478</u>
Capital assets, net	<u>\$ 2,789,091</u>	<u>\$ (13,274)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,775,817</u>

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

General government	\$ 25,489
Public safety	64,538
Public works	74,109
Public welfare and recreation	34,106
Total governmental activities depreciation expense	<u>\$ 198,242</u>

TOWN OF MONTEAGLE, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2019

Note G - CAPITAL ASSETS (continued)

Capital asset activity for the year ended June 30, 2019, was as follows (continued):

<u>Business-type activities -</u>	Balance June 30, 2018	Increases	Decreases	Transfers	Balance June 30, 2019
Capital assets being depreciated -					
Land rights	\$ 122,082				\$ 122,082
Plant in service	14,225,732	\$ 60,652			14,286,384
Equipment	386,814		\$ 11,499	\$ 8,099	383,414
Subtotal	<u>\$ 14,734,628</u>	<u>\$ 60,652</u>	<u>\$ 11,499</u>	<u>\$ 8,099</u>	<u>\$ 14,791,880</u>
Less accumulated depreciation for:					
Land rights	\$ 57,076	\$ 3,131			\$ 60,207
Plant in service	5,459,403	344,077			5,803,480
Equipment	265,501	33,290	\$ 11,499	\$ 8,099	295,391
Subtotal	<u>\$ 5,781,980</u>	<u>\$ 380,498</u>	<u>\$ 11,499</u>	<u>\$ 8,099</u>	<u>\$ 6,159,078</u>
Capital assets, net	<u>\$ 8,952,648</u>	<u>\$ (319,846)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,632,802</u>

Note H - LONG-TERM OBLIGATIONS

Governmental Activities

The Series 2011B bonds were issued in the fiscal year ended June 30, 2012 to refund a public improvement bond that was used for the purpose of financing the costs of public works projects, including acquisition of land and the construction and equipping thereon of a public building to be leased to the United States Postal Service. The initial amount refunded was \$580,000 with an interest rate of 4.75% maturing in the fiscal year ending June 30, 2027. This bond was a direct placement with Regions Bank. The amount outstanding at June 30, 2019 was \$355,000.

A summary of changes in governmental long-term obligations for the year ended June 30, 2019, are as follows:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
Debt					
General obligation refunding	\$ 390,000		\$ (35,000)	\$ 355,000	\$ 40,000
Total debt	<u>\$ 390,000</u>	<u>\$ -</u>	<u>\$ (35,000)</u>	<u>\$ 355,000</u>	<u>\$ 40,000</u>
Other long-term obligations					
Compensated absences	\$ 21,208	\$ 21,125	\$ (23,574)	\$ 18,759	\$ 15,945
Due to Franklin County	34,468		(17,667)	16,801	16,801
Total other long-term obligations	<u>\$ 55,676</u>	<u>\$ 21,125</u>	<u>\$ (41,241)</u>	<u>\$ 35,560</u>	<u>\$ 32,746</u>
Total governmental long-term obligations	<u>\$ 445,676</u>	<u>\$ 21,125</u>	<u>\$ (76,241)</u>	<u>\$ 390,560</u>	<u>\$ 72,746</u>

The Town signed an agreement in the fiscal year ended June 30, 2017 with Franklin County to de-annex an area of the Town. Part of the agreement with the County called for the Town to pay the County \$52,135 for road repairs prior to de-annexation. The agreement also allowed for this amount to be paid over a three year period. In the current year, \$17,667 was included in judgments and awards in the public works function of the general fund.

For governmental activities, compensated absences are generally liquidated by the general fund.

Interest paid during the year ended June 30, 2019, on governmental long-term debt was \$18,306.

TOWN OF MONTEAGLE, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2019

Note H - LONG-TERM OBLIGATIONS (continued)

Governmental activities debt service requirements to maturity are as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2020	\$ 40,000	\$ 15,913	\$ 55,913
2021	40,000	14,012	54,012
2022	40,000	12,113	52,113
2023	45,000	10,094	55,094
2024	45,000	7,956	52,956
2025-2027	145,000	10,568	155,568
	<u>\$ 355,000</u>	<u>\$ 70,656</u>	<u>\$ 425,656</u>

Business-Type Activities

The business-type activities long-term debt consists of the following as of June 30, 2019:

General obligation refunding	\$ 60,000
Note SRF CWA 2009-226	2,448,719
Notes from direct borrowings and direct placements	<u>\$ 2,508,719</u>

General Obligation Refunding Bonds - These bonds were issued in the fiscal year ended June 30, 2012 to refund Water and Sewer Revenue and Tax Bonds that were previously issued for the purpose of paying part of the cost of constructing water and sewer improvements. The initial amount refunded was \$370,000 with an interest rate of 2.25% maturing in fiscal year ending June 30, 2021. This bond was a direct placement with Regions Bank.

State of Tennessee Public Health Loan - The Water and Sewer Fund has a state revolving fund (SRF) loan (CWA 2009-226) to fund the Wastewater Facilities Project. The total approved amount of the loan was \$6,200,000. This amount was divided into three parts; SRF Loan of \$3,100,000, American Recovery and Reinvestment (ARRA) SRF loan of \$620,000 and ARRA funded debt forgiveness of \$2,480,000. The loan has an interest rate of 1.79%, and matures in fiscal year ending June 30, 2032. The Town began making monthly principal and interest payments of \$18,451 in November 2011. The Town has pledged users' fees and charges and/or ad valorem taxes as needed to pay the monthly installments due. Monteagle covenants to establish and collect such fees and taxes and to make such adjustments to raise funds sufficient to pay such monthly payments and costs but to create only a minimum excess. As further security the Town pledges and assigns its unobligated state-shared taxes in an amount equal to the maximum annual debt service requirements.

A summary of changes in business-type long-term obligations for the year ended June 30, 2019, are as follows:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
Debt					
General obligation refunding	\$ 90,000		\$ (30,000)	\$ 60,000	\$ 30,000
Note SRF CWA 2009-226	2,624,589		(175,870)	2,448,719	179,045
Total debt	<u>\$ 2,714,589</u>	<u>\$ -</u>	<u>\$ (205,870)</u>	<u>\$ 2,508,719</u>	<u>\$ 209,045</u>
Other long-term obligations					
Compensated absences	\$ 13,837	\$ 10,444	\$ (8,493)	\$ 15,788	\$ 13,420
Total other long-term obligations	<u>\$ 13,837</u>	<u>\$ 10,444</u>	<u>\$ (8,493)</u>	<u>\$ 15,788</u>	<u>\$ 13,420</u>
Total business-type activities long-term obligations	<u>\$ 2,728,426</u>	<u>\$ 10,444</u>	<u>\$ (214,363)</u>	<u>\$ 2,524,507</u>	<u>\$ 222,465</u>

TOWN OF MONTEAGLE, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2019

Note H - LONG-TERM OBLIGATIONS (continued)

Interest incurred and charged to expense during the year ended June 30, 2019, on water and sewer long-term debt was \$47,591.

Water and sewer debt service requirements to maturity are as follows:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2020	\$ 209,045	\$ 43,718	\$ 252,763
2021	212,276	39,812	252,088
2022	185,567	35,846	221,413
2023	188,915	32,498	221,413
2024	192,325	29,088	221,413
2025-2029	1,014,961	92,107	1,107,068
2030-2032	505,630	11,008	516,638
	<u>\$ 2,508,719</u>	<u>\$ 284,077</u>	<u>\$ 2,792,796</u>

Note I - INTERFUND TRANSACTIONS

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) the payments between funds are made.

Interfund receivable and payable balances at June 30, 2019, arising from these transactions were as follows:

	<u>Due From</u>	<u>Due To</u>
General fund -		
Capital asset replacement fund		\$ 206,695
Water and sewer fund	\$ 35,848	
	<u>\$ 35,848</u>	<u>\$ 206,695</u>
Capital asset replacement fund -		
General fund	\$ 206,695	
	<u>\$ 206,695</u>	
Water and sewer fund -		
General fund		\$ 35,848
		<u>\$ 35,848</u>
	<u>\$ 242,543</u>	<u>\$ 242,543</u>

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expenses in the fund that is reimbursed. All other legally authorized transfers are not eliminated but are included as other financing sources or uses in the governmental funds and reported after non-operating revenues or expenses in the enterprise funds.

As part of the creation of the capital asset replacement fund, each year the Town makes a transfer from the general fund to the capital asset replacement fund in an amount approximately equal to the depreciation expense of the governmental activities capital assets. The amount transferred for the year ended June 30, 2019 was \$196,800. Additionally, \$3,000 was transferred from the general fund to the state street aid fund.

TOWN OF MONTEAGLE, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2019

Note J - PENSION PLAN

The Town has established a SIMPLE IRA plan, which is a defined contribution plan covering substantially all employees over 21 years of age with six (6) months of service. Required monthly contributions by the Town are deposited directly into each employee's own individual retirement account, and each account is administered by the employee. The Town matches each eligible employee's contribution dollar for dollar up to 3% of the individual salary. Contributions for the year ended June 30, 2019, were \$26,554, which consisted of \$12,237 from the Town and \$14,317 from the plan members. All accounts are vested immediately and the Town incurs no expense, nor has any residual interest in the plan. The Board of Aldermen has the authority to discontinue or change the provisions of the plan.

Note K - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, errors and omissions, damages to assets and injuries to employees. The Town has joined the Tennessee Municipal League (TML) Risk Management Pool. The membership allows the Town to share liability, motor vehicle, and employee injury risks.

The TML Risk Management Pool is a governmental entity organized by Tennessee cities as a not-for-profit corporation to provide liability and workers' compensation coverage to Tennessee cities. Emphasis is on risk management and controlling losses, as all costs are shared by the Pool member cities. An extensive program of loss prevention, employee training, and legal counsel supplements experienced claims processing for member cities.

The Town has the following policies through the TML Risk Management Pool:

Comprehensive Liability Coverage - The policy provides general and automobile liability coverage of \$300,000 per person per injury with a maximum liability of \$700,000 per occurrence. The policy provides general and automobile liability coverage for property damaged of \$100,000 per occurrence. The policy also provides coverage limited to \$1,000,000 per occurrence for errors and omissions.

Property and Crime Coverage - The blanket limit for each occurrence under this policy is \$13,274,962. The policy has a limit of coverage of \$150,000 for employee dishonesty and \$150,000 for forgery or alteration, theft, disappearance, or destruction, or computer fraud.

Workers' Compensation Coverage - The policy has liability limits of \$300,000 per individual per accident or disease with a \$700,000 policy limit. This policy is a retrospectively rated policy and premiums are accrued based on the ultimate cost of the experience to date of a group of entities.

The responsibilities of TML are as follows:

TML will defend any suit against the Town or covered party seeking damages even if any of the allegations of the suit are groundless, false, or fraudulent.

TML's duty to pay on behalf of or to indemnify a covered party other than the Town does not apply to any act, error or omission:

- (1) That constitutes malfeasance in office;
- (2) That constitutes willful and wanton neglect of duty;
- (3) That constitutes dishonesty on the part of a covered party; or
- (4) That constitutes the willful violation of a statute or ordinance by any official, employee, or agent of the municipality.

TOWN OF MONTEAGLE, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2019

Note K - RISK MANAGEMENT (continued)

The responsibilities of the Town are as follows:

To pay all contributions or other sums due to TML at such times and in such amounts as shall be established by TML.

To allow TML and its agents reasonable access to all facilities of the Town and all records, including but not limited to financial records, which relate to the purposes of TML during the coverage period and up to (3) three years afterward.

To allow attorneys appointed by TML to represent the Town in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Town within the scope of loss protection furnished by TML.

To assist and cooperate in the defense and settlement of claims against the Town.

To furnish full cooperation to TML's attorneys, claims adjusters, and any agent, employee, officer or independent contractor of TML relating to the purposes of TML.

To follow all loss reduction and prevention procedures established by TML where possible.

To furnish to TML such operating and underwriting information as may be requested.

To report as promptly as possible, and in accordance with any conditions issued, all incidents which could result in TML being required to pay a claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection in which the Town participates.

To allow TML to inspect and appraise any damaged property before its repair or disposition.

The Town must cooperate with the pool in any dispute resolutions with other insurance companies.

The Town is not aware of any claims which the Town is liable for (up to the applicable deductible) which were outstanding and unpaid at June 30, 2019. No provision has been made in the financial statements for the year ended June 30, 2019, for any estimate of potential unpaid claims. Settled claims have not exceeded coverage in any of the past three fiscal years.

Note L - COMMITMENTS AND CONTINGENCIES

Pending Lawsuits - The Town is not aware of any litigation or claims that would be material to the Town's basic financial statements.

Commitments - The Town has a commitment for a construction contract at June 30, 2019 in the amount of \$365,200.

Note M - LEASES

The Town is the lessor in a 25 year lease agreement with the United States Postal Service (lessee) for use of a Town constructed building. The agreement contained a \$10 bargain purchase of the property at the end of the 25 year agreement. The lease requires equal monthly payments of \$5,000. The lease agreement meets the requirements of a capital lease.

TOWN OF MONTEAGLE, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2019

Note M - LEASES (continued)

Future minimum lease payments to be received are as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2020	\$ 37,061	\$ 22,939	\$ 60,000
2021	39,971	20,029	60,000
2022	43,111	16,889	60,000
2023	46,497	13,503	60,000
2024	50,149	9,851	60,000
2025-2026	102,393	7,607	110,000
	<u>\$ 319,182</u>	<u>\$ 90,818</u>	<u>\$ 410,000</u>

MAJOR CAPITAL PROJECTS FUND

Capital Asset Replacement Fund is used to account for the acquisition or construction of general government capital assets such as buildings, vehicles, equipment and infrastructure.

TOWN OF MONTEAGLE, TENNESSEE

Capital Asset Replacement Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues -				
Other -				
Interest	\$ <u>2,976</u>	\$ <u>2,976</u>	\$ <u>9,737</u>	\$ <u>6,761</u>
Total Revenues	\$ <u>2,976</u>	\$ <u>2,976</u>	\$ <u>9,737</u>	\$ <u>6,761</u>
Expenditures -				
Capital outlay	\$ <u>695,250</u>	\$ <u>695,250</u>	\$ <u>169,373</u>	\$ <u>525,877</u>
Total Expenditures	\$ <u>695,250</u>	\$ <u>695,250</u>	\$ <u>169,373</u>	\$ <u>525,877</u>
Excess (deficiency) of Revenues Over (Under) Expenditures	\$ <u>(692,274)</u>	\$ <u>(692,274)</u>	\$ <u>(159,636)</u>	\$ <u>532,638</u>
Other Financing Sources and Uses -				
Transfer in	\$ <u>191,585</u>	\$ <u>191,585</u>	\$ <u>196,800</u>	\$ <u>5,215</u>
Total Other Financing Sources and Uses	\$ <u>191,585</u>	\$ <u>191,585</u>	\$ <u>196,800</u>	\$ <u>5,215</u>
Net change in fund balance	\$ <u>(500,689)</u>	\$ <u>(500,689)</u>	\$ <u>37,164</u>	\$ <u>537,853</u>
Fund Balance at beginning of year			1,037,195	
Fund Balance at end of year			\$ <u>1,074,359</u>	

FINANCIAL SCHEDULES

Financial Schedules are presented to demonstrate finance related legal and contractual compliance, provide details of data summarized in the financial statements, and present other information deemed useful.

TOWN OF MONTEAGLE, TENNESSEE

Schedule of Debt Service Requirements by Fiscal Year

June 30, 2019

Fiscal Year Ended June 30,	Issue	Interest Rate	Principal	Interest	Total Principal and Interest
<u>General Long-Term Debt -</u>					
<u>Notes from direct borrowings and direct placements</u>					
2020	Refunding Bond, Series 2011B	4.750 %	\$ 40,000	\$ 15,913	\$ 55,913
2021			40,000	14,012	54,012
2022			40,000	12,113	52,113
2023			45,000	10,094	55,094
2024			45,000	7,956	52,956
2025			45,000	5,819	50,819
2026			50,000	3,562	53,562
2027			50,000	1,187	51,187
Total General Long-Term Debt			<u>\$ 355,000</u>	<u>\$ 70,656</u>	<u>\$ 425,656</u>
<u>Water and Sewer Long-Term Debt -</u>					
<u>Notes from direct borrowings and direct placements</u>					
2020	State Revolving Loan CWA 2009-226	1.790 %	\$ 179,045	\$ 42,368	\$ 221,413
2021			182,276	39,137	221,413
2022			185,567	35,846	221,413
2023			188,915	32,498	221,413
2024			192,325	29,088	221,413
2025			195,796	25,618	221,414
2026			199,330	22,084	221,414
2027			202,927	18,486	221,413
2028			206,590	14,824	221,414
2029			210,318	11,095	221,413
2030			214,114	7,300	221,414
2031			217,977	3,436	221,413
2032			73,539	272	73,811
			<u>\$ 2,448,719</u>	<u>\$ 282,052</u>	<u>\$ 2,730,771</u>
2020	Refunding Bond, Series 2011A	2.250 %	\$ 30,000	\$ 1,350	\$ 31,350
2021			30,000	675	30,675
			<u>\$ 60,000</u>	<u>\$ 2,025</u>	<u>\$ 62,025</u>
Total Water and Sewer Long-Term Debt			<u>\$ 2,508,719</u>	<u>\$ 284,077</u>	<u>\$ 2,792,796</u>
Total Indebtedness			<u>\$ 2,863,719</u>	<u>\$ 354,733</u>	<u>\$ 3,218,452</u>

TOWN OF MONTEAGLE, TENNESSEE

Schedule of Changes in Long-term Debt by Individual Issue

June 30, 2019

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding 7/1/2018</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2019</u>
GENERAL LONG-TERM DEBT - NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS									
Refunding Bond, Series 2011B	\$ <u>580,000</u>	4.75	9/28/2011	8/1/2026	\$ <u>390,000</u>		\$ <u>35,000</u>		\$ <u>355,000</u>
WATER AND SEWER LONG-TERM DEBT - NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS									
Refunding Bond, Series 2011A	\$ 370,000	2.25	9/28/2011	2/1/2021	\$ 90,000		\$ 30,000		\$ 60,000
(1) State Revolving Loan - CWA 2009-226	<u>6,200,000</u>	1.79	8/10/2009	10/1/2031	<u>2,624,589</u>		<u>175,870</u>		<u>2,448,719</u>
	\$ <u>6,570,000</u>				\$ <u>2,714,589</u>		\$ <u>205,870</u>		\$ <u>2,508,719</u>

(1) Original amount of issue includes \$2,480,000 which was forgiven.

TOWN OF MONTEAGLE, TENNESSEE

Schedule of Municipal Utility Rates and Number of Customers

June 30, 2019

As of June 30, 2019, the Town of Monteagle serves approximately 1,291 water customers and 273 sewer customers.

WATERWORKS

	<u>Residential Inside Town</u>	<u>Residential Outside Town</u>
0 - 2,000 gallons (minimum bill)	\$ 17.10	\$ 22.76
2000 - 100,000 gallons	\$ 9.27 per/1,000	\$ 11.33 per/1,000
Over - 100,000 gallons	\$ 10.30 per/1,000	\$ 12.36 per/1,000

SEWER SYSTEM

	<u>Residential Inside Town</u>	<u>Residential Outside Town</u>
0 - 2,000 gallons (minimum bill)	\$ 21.38	\$ 33.99
2000 - 100,000 gallons	\$ 11.59 per/1,000	\$ 15.24 per/1,000
Over - 100,000 gallons	\$ 12.88 per/1,000	\$ 12.98 per/1,000



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association

?	Click to access definition
+	Click to add a comment

Water Audit Report for: Town of Monteagle (0000706)
Reporting Year: 2019 7/2018 - 6/2019

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

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

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

WATER SUPPLIED

----- Enter grading in column 'E' and 'J' ----->

Volume from own sources:	+	?	8	99.023	MG/Yr
Water imported:	+	?	9	10.663	MG/Yr
Water exported:	+	?	n/a	0.000	MG/Yr

Master Meter and Supply Error Adjustments

	Pcnt:	Value:	
+	?	2	-0.25%
+	?	2	-0.25%
+	?	?	

WATER SUPPLIED: 109.961 MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered:	+	?	10	96.309	MG/Yr
Billed unmetered:	+	?	n/a	0.000	MG/Yr
Unbilled metered:	+	?	10	2.683	MG/Yr
Unbilled unmetered:	+	?	9	7.386	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: 106.378 MG/Yr

Click here: ?
for help using option buttons below

Pcnt:	Value:
0.25%	7.386

Use buttons to select percentage of water supplied
OR
value

WATER LOSSES (Water Supplied - Authorized Consumption)

3.583 MG/Yr

Apparent Losses

Unauthorized consumption: + ? 0.275 MG/Yr
 Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	+	?	8	2.020	MG/Yr
Systematic data handling errors:	+	?	?	0.241	MG/Yr

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

Apparent Losses: 2.536 MG/Yr

Pcnt:	Value:
0.25%	
2.00%	
0.25%	

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 1.047 MG/Yr

WATER LOSSES: 3.583 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 13.652 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+	?	5	18.0	miles
Number of <u>active AND inactive</u> service connections:	+	?	9	1,377	
Service connection density:	?			77	conn./mile main

Are customer meters typically located at the curbstop 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: + ? 0 (Average length of customer service line has been set to zero and a data grading score of 10 has been applied)

Average operating pressure: + ? 4 50.0 psi

COST DATA

Total annual cost of operating water system:	+	?	10	985,795.61	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+	?	9	\$11.00	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+	?	7	\$1,002.45	\$/Million gallons

Use Customer Retail Unit Cost to value real losses

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



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.
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Water Audit Report for:
 Reporting Year:

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

System Attributes:

Apparent Losses:	<input type="text" value="2.536"/>	MG/Yr
+	Real Losses:	<input type="text" value="1.047"/>
=	Water Losses:	<input type="text" value="3.583"/>
		MG/Yr

Unavoidable Annual Real Losses (UARL): MG/Yr

Annual cost of Apparent Losses:

Annual cost of Real Losses:

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:	<input type="text" value="12.4%"/>	
		Non-revenue water as percent by cost of operating system:	<input type="text" value="4.0%"/>	Real Losses valued at Variable Production Cost

Operational Efficiency:	{	Apparent Losses per service connection per day:	<input type="text" value="5.05"/>	gallons/connection/day
		Real Losses per service connection per day:	<input type="text" value="2.08"/>	gallons/connection/day
		Real Losses per length of main per day*:	<input type="text" value="N/A"/>	
		Real Losses per service connection per day per psi pressure:	<input type="text" value="0.04"/>	gallons/connection/day/psi

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

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

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

**INTERNAL CONTROL AND
COMPLIANCE SECTION**



JOB, HASTINGS & ASSOCIATES

Certified Public Accountants

745 SOUTH CHURCH STREET – BELMONT PARK

P.O. BOX 1175 MURFREESBORO, TN 37133-1175

(615) 893-7777 FAX: (615) 896-5990

www.jobehastings.com

James R. Jobe, CPA

Donna K. Hastings, CPA (*inactive*)

Joel H. Jobe (*1944 – 2006*)

**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***

Honorable Mayor and Board of Aldermen
Town of Monteagle, 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, and each major fund of the Town of Monteagle, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Monteagle, Tennessee's basic financial statements and have issued our report thereon dated January 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Monteagle, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Monteagle's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Monteagle'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Honorable Mayor and Board of Aldermen
Town of Monteagle, Tennessee

Purpose of this Report

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

Jobe, Hastings & Associates

Certified Public Accountants

Murfreesboro, Tennessee
January 23, 2020

TOWN OF MONTEAGLE, TENNESSEE

Schedule of Audit Findings and Responses

June 30, 2019

A - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Town of Monteagle, Tennessee were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the *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*.
3. No instances of noncompliance material to the financial statements of the Town of Monteagle, Tennessee, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

B - FINDINGS - FINANCIAL STATEMENT AUDIT

CURRENT YEAR FINDINGS

No matters were reported.

TOWN OF MONTEAGLE, TENNESSEE

Schedule of Prior Audit Findings

June 30, 2019

FINDINGS - FINANCIAL STATEMENT AUDIT

2018-001 Purchasing Procedures

Current Status: This finding was corrected in the current fiscal year.