

**TOWN OF DANDRIDGE,
TENNESSEE**

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

and

INDEPENDENT AUDITOR'S REPORT

TOWN OF DANDRIDGE, TENNESSEE
Annual Financial Report
For the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	1 – 2
List of Principal Officials	3
 <u>FINANCIAL SECTION</u>	
Independent Auditor’s Report	4 – 6
Required Supplementary Information: Management’s Discussion and Analysis	7 – 15
Basic Financial Statements:	
<u>Government-Wide Financial Statements:</u>	
Statement of Net Position	16 – 17
Statement of Activities	18
<u>Fund Financial Statements:</u>	
Balance Sheet – Governmental Funds	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	22
Statement of Net Position – Proprietary Funds	23 – 24
Statement of Revenues, Expenses and Change in Net Position – Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds	26
General Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	27 – 31
Notes to Basic Financial Statements	32 – 58
 <u>Required Supplementary Information:</u>	
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS	59
Schedule of Dandridge’s Contributions Based on Participation in the Public Employee Pension Plan of TCRS	60
Notes to Required Supplementary Information – Public Employee Pension Plan of TCRS	61

TOWN OF DANDRIDGE, TENNESSEE
Annual Financial Report
For the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS (Continued)

	<u>Page</u>
<u>FINANCIAL SECTION (Continued)</u>	
<u>Required Supplementary Information (Continued):</u>	
Schedule of Funding Progress for Other Postemployment Benefits	62
<u>Other Supplementary Information:</u>	
Schedule of Expenditures of Federal and State Awards	63
Combining Balance Sheet – Nonmajor Governmental Funds	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Nonmajor Governmental Funds	65
Schedule of Long-Term Principal and Interest Requirements by Issue – Governmental Activities	66 – 67
Schedule of Long-Term Principal and Interest Requirements by Issue – Business-Type Activities	68
Schedule of Utility Plant:	
Water and Sewer Department	69
Schedule of Changes in Property Taxes Receivable	70
Analysis of Tax Rates and Assessments	71
Utility Rate Structure and Number of Customers: Water and Sewer Department	72
<u>OTHER STATISTICAL SCHEDULES (Unaudited)</u>	
AWWA Reporting Worksheet	73
AWWA System Attributes and Performance Indicators	74
Miscellaneous Statistical Data	75
<u>INTERNAL CONTROL AND COMPLIANCE SECTION</u>	
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 <i>Government Auditing Standards</i>	76 – 77
Summary Schedule of Prior Audit Findings	78

INTRODUCTORY SECTION



TownofDandridge.com

Board of Mayor and Aldermen
Town of Dandridge, Tennessee

Dear Honorable Mayor and Board of Aldermen:

We are submitting the annual financial report for the fiscal year ended June 30, 2016. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Town's management. We believe the data, as presented, is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of operation of the Town as measured by the financial activity of its various funds, and includes all disclosures necessary to enable the reader to gain maximum understanding of the Town's financial activities.

Brown Jake & McDaniel, PC, a firm of licensed certified public accountants, have audited the Town's basic financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Town for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the basic financial statement; assessing the accounting principles used and significant estimates made by management; and evaluating the overall basic financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town's basic financial statements for the year ended June 30, 2016, are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found as the second component of the financial section of this report.

The annual financial report is presented in three sections: 1) the introductory section, which contains the transmittal letter and a listing of principal officials; 2) the financial section, which consists of the independent auditor's report, management's discussion and analysis, the government-wide financial statements, the fund financial statements, required supplementary information, and other supplementary information; 3) other statistical schedules section, which contains unaudited statistical information; and 4) the internal control and compliance section, which contains reporting issued by the auditor.

This report includes all funds required of the Town. The Town provides a full range of services including Police and Fire Protection, Highways and Streets, Sanitation and Solid Waste, Recreational Activities, Schools, Water and Sewer, and General Administrative Services.

Management of the Town is responsible for establishing and maintaining an internal control structure designed to insure that the assets of the government are protected from loss, theft, or misuse and to insure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with

accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) The cost of the control should not exceed the benefits likely to be derived; and 2) The valuation of costs and benefits requires estimates and judgments by management.

The Town is responsible for insuring that an adequate internal control structure is in place to insure compliance with applicable laws and regulations related to the operations of the Town. This internal control structure is subject to periodic evaluation by management.

In addition, the Town maintains budgetary controls. The objective of these budgetary controls is to insure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Mayor and Aldermen. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level.

The State requires an annual audit of our basic financial statements by an independent certified public accountant. Accordingly, this year's audit was completed by Brown Jake & McDaniel, PC. In addition to meeting the State requirements, the audit was also designed to meet Federal audit requirements.

Respectfully submitted,

TOWN OF DANDRIDGE

A handwritten signature in black ink, appearing to read 'Melissa Peagler', with a stylized flourish at the end.

Melissa Peagler
Town Administrator

TOWN OF DANDRIDGE, TENNESSEE

List of Principal Officials

For the Fiscal Year Ended June 30, 2016

<u>Name</u>	<u>Office</u>
George Gantte	Mayor
Mike Nelson	Vice-Mayor
Mike Chambers	Alderman
Pam Farrar	Alderman
David Jones	Alderman (Through April 2016)
Jeff Depew	Alderman (After April 2016)
Todd Kesterson	Alderman
Ken Thornhill	Alderman
Melissa Peagler	Administrator
Matt Rudder	Assistant Administrator/Finance Director*
Cathy Dixon	Town Recorder/CMFO
Gary Satterfield	Building Inspector/Codes Enforcement
Gregg Gann	Public Works Superintendent
Mike Norton	Water/Wastewater Superintendent
Carson Williams	Chief of Police
Andy Riley	Fire Chief
Cathy Carter	Human Resources Clerk
Christopher Shockley	Recreation Director

*Certified Municipal Finance Officer

FINANCIAL SECTION

BROWN JAKE & McDANIEL, PC

CERTIFIED PUBLIC ACCOUNTANTS
 2607 KINGSTON PIKE, SUITE 110
 KNOXVILLE, TENNESSEE 37919-3336
 865/637-8600 • fax: 865/637-8601
 www.bjmpc.com

JOE L. BROWN, CPA, CGFM, CGMA
 FRANK D. McDANIEL, CPA, CGFM, CGMA
 TERRY L. MOATS, CPA, CGFM, CGMA
 JAMES E. BOOHER, CPA, CGMA

MEMBERS
 AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Mayor and Board of Aldermen
 Town of Dandridge, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dandridge, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town'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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 15 and the required supplementary information on pages 59 through 62 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

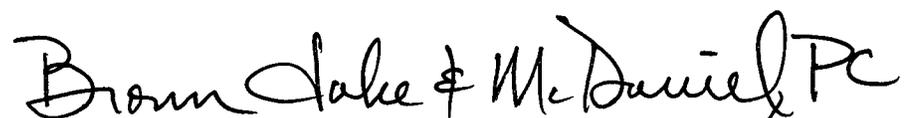
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Dandridge, Tennessee's basic financial statements. The introductory section, other supplementary information in the financial section, and other statistical schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information in the financial section is the responsibility of management and was derived from and relates 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 other supplementary information in the financial section is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2017 on our consideration of the Town of Dandridge, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Dandridge, Tennessee's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brown Lake & McDaniel PC". The signature is written in a cursive, flowing style.

Knoxville, Tennessee
February 24, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2016

As management of the Town of Dandridge, we offer readers of the Town of Dandridge's financial statements this narrative overview and analysis of the financial activities of the Town of Dandridge for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 2 of this report.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Town of Dandridge, Tennessee (the Town) using the integrated approach as prescribed by GASB Statement No. 34.

The Government-Wide Financial Statements are designed to provide the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the Town (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

The Fund Financial Statements include statements for governmental and business-type activities. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

REPORTING THE TOWN AS A WHOLE

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities. These statements include *all* assets and liabilities of the Town using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Town's *net position* and changes in it. Net position is the difference between assets and liabilities, which is one way to measure the Town's financial health or *financial position*. Over time, increases and decreases in the net position of the Town is one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the property tax base of the Town and the condition of the infrastructure of the Town.

In the Statement of Net Position and the Statement of Activities, we separate the Town Activities as follows:

Government Activities - Most of the Town's basic services are reported in this category, including the General Government, Fire, Police, Streets, Sanitation, Parks and Recreation, Library, and Legislative. Property taxes, intergovernmental revenues, user fees, interest income, franchise fees and state and federal grants finance these activities.

Business-Type Activities - The Town charges a fee to customers to cover all or most of the cost of certain services it provides. The Town's water and wastewater service activities are reported in this category.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money.

Government Funds - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed shorter-term view of the general government operations of the Town and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The differences of results in the Governmental Fund financial statements to those in Government-wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary Funds - When the Town charges customers for services it provides - whether to outside customers or to other units of the Town - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town enterprise fund is the same as the business-type activity we report in the government-wide statements but provides more detail and additional information, such as cash flows, for proprietary funds.

THE TOWN AS A WHOLE

The Town is providing comparative condensed financial information for fiscal years 2016 and 2015. Our analysis below focuses on the net position of the Town's governmental and business-type activities.

	GOVERNMENT-WIDE ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	2016	2015	2016	2015
Current and other assets	\$ 3,546,870	\$ 3,730,431	\$ 1,403,093	\$ 1,956,954
Capital assets	9,492,524	9,594,891	12,423,600	11,474,058
Total assets	<u>13,039,394</u>	<u>13,325,322</u>	<u>13,826,693</u>	<u>13,431,012</u>
Total deferred outflows of resources	<u>159,329</u>	<u>152,493</u>	<u>61,224</u>	<u>60,284</u>
Long-term liabilities	2,002,615	2,257,436	4,712,023	4,902,557
Other liabilities	407,690	416,320	491,830	259,678
Total liabilities	<u>2,410,305</u>	<u>2,673,756</u>	<u>5,203,853</u>	<u>5,162,235</u>
Total deferred inflows of resources	<u>1,271,094</u>	<u>1,416,274</u>	<u>53,591</u>	<u>105,045</u>
Net investment in capital assets	7,298,939	7,127,099	7,298,914	6,394,542
Restricted	55,221	23,513	-	-
Unrestricted	<u>2,163,164</u>	<u>2,237,173</u>	<u>1,331,559</u>	<u>1,829,474</u>
TOTAL NET POSITION	<u>\$ 9,517,324</u>	<u>\$ 9,387,785</u>	<u>\$ 8,630,473</u>	<u>\$ 8,224,016</u>

Our next analysis focuses on changes in net position of the Town's governmental and business-type activities.

TABLE 2
CHANGES IN NET POSITION

	GOVERNMENT-WIDE ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	2016	2015	2016	2015
Program Revenue:				
Charges for Services	\$ 446,455	\$ 403,529	\$ 2,221,240	\$ 2,107,935
Operating Grants and Contributions	329,379	268,265	-	-
Capital Grants and Contributions	51,220	201,834	284,878	67,750
General Revenue:				
Taxes:				
Sales Taxes	1,429,552	1,374,750	-	-
Property Taxes	1,082,480	957,247	-	-
In-Lieu of Tax	33,809	33,402	-	-
Wholesale/State Beer Tax	203,103	193,515	-	-
Mixed Drink Tax	15,656	17,714	-	-
Business Taxes	79,431	72,507	-	-
Cable TV Franchise Tax	52,374	52,378	-	-
State Income Tax	158,991	209,594	-	-
Excise Taxes	8,642	5,678	-	-
Licenses and Permits	42,077	32,202	-	-
Interest Earned	3,382	2,848	3,162	5,304
Miscellaneous	9,739	107,735	-	-
Gain (Loss) on Sale of Fixed Assets	143,284	(1,039)	-	-
TOTAL REVENUE	<u>4,089,574</u>	<u>3,932,159</u>	<u>2,509,280</u>	<u>2,180,989</u>
Program Expenses:				
General Government	735,420	658,525	-	-
Public Safety	836,625	836,995	-	-
Public Service	1,246,039	707,267	-	-
Culture and Recreation	588,199	546,763	-	-
Contingency Reserve	2,632	9,506	-	-
Debt Service	42,454	76,838	-	-
Solid Waste	131,545	142,071	-	-
Volunteer Fire Department	377,121	325,755	-	-
Water and Sewer Department	-	-	2,102,823	2,047,157
TOTAL PROGRAM EXPENSES	<u>3,960,035</u>	<u>3,303,720</u>	<u>2,102,823</u>	<u>2,047,157</u>
Change in Net Position	<u>129,539</u>	<u>628,439</u>	<u>406,457</u>	<u>133,832</u>
Net Position, Beginning, as Previously Stated	9,387,785	8,796,713	8,224,016	8,105,277
Cumulative Effect of Change in Accounting Principle	-	(37,367)	-	(15,093)
Net Position, Beginning, as Restated	<u>9,387,785</u>	<u>8,759,346</u>	<u>8,224,016</u>	<u>8,090,184</u>
Net Position, Ending	<u>\$ 9,517,324</u>	<u>\$ 9,387,785</u>	<u>\$ 8,630,473</u>	<u>\$ 8,224,016</u>

The cost of all Governmental activities this year was \$3,960,035. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through Town taxes was only \$3,132,981 because some of the cost was paid by those who directly benefited from the programs (\$446,455), or by other governments and organizations that subsidized certain programs with operating grants and contributions (\$329,379) and other capital grants and contributions (\$51,220). Overall, the Town's governmental program revenues, including intergovernmental aid and fees for services, were \$827,054. The Town paid for the remaining "public benefit" portion of governmental activities with \$3,262,520 in taxes and with other revenues, such as interest, licenses and permits, and other miscellaneous revenues.

The Town's programs include General Government, Public Safety, Public Service, Culture and Recreation, Sanitation, Drug Enforcement and Capital Outlays. Each program's net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

TABLE 3

	Net (Expense)	
	2016	2015
Governmental Activities:		
General Government	\$ (634,732)	\$ (608,280)
Public Safety	(718,716)	(713,282)
Public Works	(1,111,217)	(495,579)
Culture and Recreation	(410,304)	(406,854)
Contingency Reserve	(2,632)	(9,506)
Debt Service	(42,454)	(76,838)
Solid Waste	(15,756)	(28,153)
Volunteer Fire Department	(197,170)	(91,600)
Total Governmental Activities	<u>\$ (3,132,981)</u>	<u>\$ (2,430,092)</u>

Net position on July 1, 2015 was in the amount of \$9,387,785. The Town's overall net position increased \$129,539 from the prior fiscal year. Program revenue totaled \$827,054 and general revenues totaled \$3,262,520. Total governmental activities expenses during the year were \$3,960,035. Ending net position for 2016 was \$9,517,324.

BUSINESS-TYPE ACTIVITIES

The cost of all Proprietary (Business-Type) activities this year was \$2,102,823. As shown in the Statement of Activities, the amount paid by users of the system was \$2,221,240.

The Proprietary Fund (Business-Type) Activities include only the operation of the Town's Water and Sewer services. The activities net profit (total revenues generated by the activities less total costs) for the water and sewer fund is \$121,579.

Net Position on July 1, 2015 was in the amount of \$8,224,016, and the department had program revenues of \$2,506,118 and general revenues of \$3,162. Total Proprietary Fund (Business-Type) expenses during the year were \$2,102,823. Ending net position for 2016 was \$8,630,473.

TABLE 4
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	BUSINESS-TYPE ACTIVITIES	
	2016	2015
Revenues:		
Operating Revenues	\$ 2,221,240	\$ 2,107,935
Capital Grant	284,878	67,750
General Revenues	3,162	5,304
	<u>2,509,280</u>	<u>2,180,989</u>
TOTAL REVENUES		
Expenses:		
Water Treatment and Distribution	809,526	773,973
Sewer Collection and Disposal	482,844	478,109
Administrative and General	272,190	277,212
Depreciation	428,729	409,537
Non-Operating Expenses	109,534	108,326
	<u>2,102,823</u>	<u>2,047,157</u>
TOTAL EXPENSES		
Change in Net Position	<u>406,457</u>	<u>133,832</u>
Net Position, Beginning, as Previously Stated	8,224,016	8,105,277
Cumulative Effect of Change in Accounting Principle	<u>-</u>	<u>(15,093)</u>
Net Position, Beginning, as Restated	<u>8,224,016</u>	<u>8,090,184</u>
Net Position, Ending	<u>\$ 8,630,473</u>	<u>\$ 8,224,016</u>

THE TOWN'S FUNDS

Information about the Town's major fund (general fund) is detailed in the Required Supplementary Information Section of the financial statements. These funds are accounted for by using the modified accrual basis of accounting. All governmental funds had total revenues of \$4,103,601 and expenditures of \$4,291,854. The expenditures exceeded the revenues by \$188,253. This was influenced significantly by expenditures in the public works department related to paving projects.

As the Town completed the year, all governmental funds had a fund balance of \$2,059,380 which we consider a substantial financial position. The Town's management believes with potential decreases in sales tax due to unforeseen consequences of the streamline sales tax bill and future capital expenditures the fund balance needs to increase in future years.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's budget is prepared according to Tennessee law and based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budget is the general fund.

The Town amended its budget twice during 2016.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - Governmental-Type Activities

At the end of fiscal years 2016 and 2015, the Town had \$13,719,569 and \$13,546,589, respectively, invested in land, buildings and improvements, infrastructures, and machinery and equipment. Table 5 shows fiscal years 2016 and 2015 balances.

TABLE 5
CAPITAL ASSETS (NET OF DEPRECIATION) AT JUNE 30
Governmental-Type Activities

	<u>2016</u>	<u>2015</u>
Land	\$ 626,202	\$ 626,202
Construction in Progress	-	15,059
Buildings and Improvements	4,517,212	4,504,715
Infrastructures	5,384,372	5,349,206
Machinery and Equipment	<u>3,191,783</u>	<u>3,051,407</u>
	13,719,569	13,546,589
Less: Accumulated Depreciation	<u>4,227,045</u>	<u>3,951,698</u>
	<u>\$ 9,492,524</u>	<u>\$ 9,594,891</u>

The Town acquired or constructed capital assets during the fiscal year totaling \$261,404. The Town adopts an annual budget with capital outlays included.

Capital Assets - Business-Type Activities

At the end of the fiscal years 2016 and 2015, the Town had \$17,902,163 and \$16,523,892 respectively, invested in buildings, lines and tanks, equipment, furniture and fixtures, and vehicles. Table 6 shows fiscal years 2016 and 2015 balances.

TABLE 6
CAPITAL ASSETS (NET OF DEPRECIATION) AT JUNE 30
Business-Type Activities

	<u>2016</u>	<u>2015</u>
Construction in Progress	\$ 57,743	\$ 1,256,591
Land Easements	8,900	8,900
Buildings	718,780	718,780
Lines and Tanks	13,931,741	11,447,309
Equipment	2,763,146	2,670,459
Furniture and Fixtures	117,826	117,826
Vehicles	<u>304,027</u>	<u>304,027</u>
	17,902,163	16,523,892
Less: Accumulated Depreciation	<u>5,478,563</u>	<u>5,049,834</u>
	<u>\$12,423,600</u>	<u>\$11,474,058</u>

The Water and Sewer Department plans additional capital outlays during 2017. Not all of these projects will be completed within the 2017 fiscal year. The Department's capital outlay budget will be financed with existing cash, potential new debt issues and federal and state grant awards.

Debt Administration

At the end of the current fiscal year, the Town of Dandridge had a total debt outstanding of \$7,096,142.

TABLE 7
OUTSTANDING DEBT

	GOVERNMENT-WIDE ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Bonds and Capital Outlay Notes	\$ 2,063,000	\$ 2,289,000	\$ 4,709,800	\$ 4,880,425
Capital Leases	130,585	178,792	-	-
Loan from Primary Government	<u>-</u>	<u>-</u>	<u>192,757</u>	<u>199,091</u>
Total Long-Term Debt	<u>\$ 2,193,585</u>	<u>\$ 2,467,792</u>	<u>\$ 4,902,557</u>	<u>\$ 5,079,516</u>

The Town's total debt decreased by \$451,166 during the current fiscal year.

NEXT YEAR'S BUDGET

The general fund estimates were projected to rise at a 3% increase for local sales taxes due to new development and current economic trends within the state of Tennessee. The Town Board of Mayor and Alderman approved a budget with no increase to property taxes. However, based on the state's recent approval of an Occupancy Tax for the Town of Dandridge, the Board of Mayor and alderman levied a 2% city tax on hotel/motel occupancy within the Town of Dandridge. The funds collected from the occupancy tax must be dedicated to tourism infrastructure improvements. The Town hopes to use the funds to initiate the waterfront plan specifically a dock. Highlights in this year's budget include a 2.5% raise for employees, a new position of Recreation Program Director within the Field of Dreams Activity Center, new equipment purchases of a fire truck and public works tractor, paving Cline Road and the construction of the dock on the waterfront. During the current fiscal year, the Town increased the general fund balance and maintained cash flow over the minimum of 20% of the total budget.

The water and sewer budgets were also prepared using a conservative approach. Construction of the new service line for water to the Knoxville Utilities Board was completed at the end of fiscal year 2016. Our new connection to KUB is anticipated to lower our costs for water service.

The residential growth in the Town is continuing to slowly rise. Existing subdivisions that were left vacant during the National Economic downturn have started to regain momentum and most building permits have been issued in those areas. Existing Industries such as Overman and Wetekam have been growing steadily. Wetekam intends to have 3 lines fully operation and employ 15 people by the end of this year. Rusty Wallace Ford will open their new facility at Interstate Exit 417 in August creating jobs and an increase in sales tax in our community.

Tourism has continued to be an economic driver for our community. In conjunction with local association and quasi-governmental agencies, we will be hosting over 20 state and National fishing tournaments during this fiscal year again. The Huk Big Bass Tour, the B.A.S.S Northern Open will be hosted on Douglas Lake. The B.A.S.S. is scheduled to be hosted on Cherokee Lake in February. Although this is not on our lake, we are expected to host the anglers at our hotels due to the proximity. The Town has invested in our tourism product by hosting events such as Music on the Town and the Scots Irish Festival. We also continue to maintain the natural and historic beauty of our town which keeps tourists returning to our area.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional finance information should be addressed to the Town of Dandridge, Town Administrator, P.O. Box 249, Dandridge, TN 37725.

TOWN OF DANDRIDGE, TENNESSEE

Statement of Net Position

June 30, 2016

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 1,426,042	\$ 1,000,838	\$ 2,426,880
Receivables:			
Property taxes	1,157,914	-	1,157,914
Interfund note (current portion)	6,334	-	6,334
Other	46,610	3,685	50,295
Customer service accounts, less allowance for doubtful accounts of \$22,000	-	182,936	182,936
Unbilled receivables	-	91,334	91,334
Due from other governments	461,393	57,500	518,893
Internal balances	10,800	(10,800)	-
Prepaid expense	831	-	831
Restricted assets:			
Cash and cash equivalents	53,555	-	53,555
Other receivables	672	-	672
Total current assets	<u>3,164,151</u>	<u>1,325,493</u>	<u>4,489,644</u>
Non-current assets			
Capital assets:			
Land and other asset not being depreciated	626,202	66,643	692,845
Depreciable capital assets	<u>13,093,367</u>	<u>17,835,520</u>	<u>30,928,887</u>
	13,719,569	17,902,163	31,621,732
Less: Accumulated depreciation	<u>(4,227,045)</u>	<u>(5,478,563)</u>	<u>(9,705,608)</u>
Total capital assets	9,492,524	12,423,600	21,916,124
Other non-current assets			
Interfund receivable, less current maturities	186,423	-	186,423
Net pension asset	<u>196,296</u>	<u>77,600</u>	<u>273,896</u>
Total non-current assets	<u>9,875,243</u>	<u>12,501,200</u>	<u>22,376,443</u>
Total assets	<u>13,039,394</u>	<u>13,826,693</u>	<u>26,866,087</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension contributions made after the net pension liability measurement date	158,941	61,224	220,165
Change in proportion and differences between contributions and proportionate share of contribution - pension	<u>388</u>	<u>-</u>	<u>388</u>
Total deferred outflows of resources	<u>159,329</u>	<u>61,224</u>	<u>220,553</u>

(Continued)

TOWN OF DANDRIDGE, TENNESSEE

Statement of Net Position
(Continued)

June 30, 2016

<u>LIABILITIES</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current liabilities:			
Payable from current assets:			
Current maturities of long-term debt	\$ 253,007	\$ 190,534	\$ 443,541
Accounts payable	64,360	40,088	104,448
Construction payable	-	222,129	222,129
Accrued expenses	36,074	6,775	42,849
Compensated absences	-	22,863	22,863
Due to other governments	50,517	9,441	59,958
Payable from restricted assets:			
Funds held in trust	3,732	-	3,732
Total current liabilities	<u>407,690</u>	<u>491,830</u>	<u>899,520</u>
Non-current liabilities:			
Due in more than one year	1,940,578	4,525,600	6,466,178
Interfund payable	-	186,423	186,423
Compensated absences	48,768	-	48,768
Unamortized bond premium	13,269	-	13,269
Total non-current liabilities	<u>2,002,615</u>	<u>4,712,023</u>	<u>6,714,638</u>
Total liabilities	<u>2,410,305</u>	<u>5,203,853</u>	<u>7,614,158</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources:			
Property taxes	1,133,511	-	1,133,511
Unavailable grant revenue	3,000	-	3,000
Change in proportion and differences between contributions and proportionate share of contribution - pension	-	388	388
Net differences between projected and actual earnings on pension plan investments	31,657	12,514	44,171
Differences between projected and actual experience - pension	102,926	40,689	143,615
Total deferred inflows of resources	<u>1,271,094</u>	<u>53,591</u>	<u>1,324,685</u>
 <u>NET POSITION</u>			
Net position:			
Net investment in capital assets	7,298,939	7,298,914	14,597,853
Restricted:			
Net Pension Asset	196,296	77,600	273,896
Drug enforcement	55,221	-	55,221
Unrestricted	1,966,868	1,253,959	3,220,827
Total net position	<u>\$ 9,517,324</u>	<u>\$ 8,630,473</u>	<u>\$ 18,147,797</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE

Statement of Activities

For the Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 735,420	\$ 9,672	\$ 81,541	\$ 9,475	\$ (634,732)	\$ -	\$ (634,732)
Public safety	836,625	90,711	6,600	20,598	(718,716)	-	(718,716)
Public works	1,246,039	51,788	83,034	-	(1,111,217)	-	(1,111,217)
Recreation	588,199	177,895	-	-	(410,304)	-	(410,304)
Contingency reserve	2,632	-	-	-	(2,632)	-	(2,632)
Debt service	42,454	-	-	-	(42,454)	-	(42,454)
Solid waste	131,545	115,789	-	-	(15,756)	-	(15,756)
Volunteer fire department	377,121	600	158,204	21,147	(197,170)	-	(197,170)
Total governmental activities	3,960,035	446,455	329,379	51,220	(3,132,981)	-	(3,132,981)
Business-type activities:							
Dandridge Water and Sewer Dept.	2,102,823	2,221,240	-	284,878	-	403,295	403,295
Total business-type activities	2,102,823	2,221,240	-	284,878	-	403,295	403,295
Total primary government	\$ 6,062,858	\$ 2,667,695	\$ 329,379	\$ 336,098	(3,132,981)	403,295	(2,729,686)
General revenues:							
Taxes:							
Sales taxes					1,429,552	-	1,429,552
Property taxes					1,082,480	-	1,082,480
In-lieu of tax					33,809	-	33,809
Wholesale/state beer taxes					203,103	-	203,103
Mixed drink tax					15,656	-	15,656
Business taxes					79,431	-	79,431
Cable TV franchise tax					52,374	-	52,374
State income tax					158,991	-	158,991
Excise taxes					8,642	-	8,642
Licenses and permits					42,077	-	42,077
Interest earned					3,382	3,162	6,544
Gain (loss) on disposal of fixed assets					9,739	-	9,739
Miscellaneous					143,284	-	143,284
Total general revenues					3,262,520	3,162	3,265,682
Change in net position					129,539	406,457	535,996
Net position - beginning					9,387,785	8,224,016	17,611,801
Net position - ending					\$ 9,517,324	\$ 8,630,473	\$ 18,147,797

The accompanying notes are an integral part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE

Balance Sheet - Governmental Funds

June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,181,195	\$ 244,847	\$ 1,426,042
Receivables:			
Property taxes	1,157,914	-	1,157,914
Interfund note (current portion)	6,334	-	6,334
Other	46,341	269	46,610
Due from other governments	461,393	-	461,393
Due from other governmental funds	274	32,925	33,199
Due from proprietary funds	-	11,130	11,130
Interfund receivable, less current maturities	186,423	-	186,423
Prepaid expenses	831	-	831
Restricted assets:			
Cash and cash equivalents	-	53,555	53,555
Other receivables	-	672	672
Due from governmental funds	-	5,000	5,000
 Total assets	 <u>\$ 3,040,705</u>	 <u>\$ 348,398</u>	 <u>\$ 3,389,103</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 28,332	\$ 36,028	\$ 64,360
Accrued expenses	34,433	1,641	36,074
Due to other funds	37,925	-	37,925
Due to proprietary fund	330	-	330
Due to other governments	50,517	-	50,517
Payable from restricted assets:			
Due to other funds	-	274	274
Funds held in trust	-	3,732	3,732
 Total liabilities	 <u>151,537</u>	 <u>41,675</u>	 <u>193,212</u>
Deferred inflows of resources:			
Property taxes	1,133,511	-	1,133,511
Unavailable grant revenue	3,000	-	3,000
 Total deferred inflows of resources	 <u>1,136,511</u>	 <u>-</u>	 <u>1,136,511</u>
Fund balances:			
Nonspendable	193,588	-	193,588
Restricted	-	55,221	55,221
Assigned	-	251,502	251,502
Unassigned	1,559,069	-	1,559,069
 Total fund balances	 <u>1,752,657</u>	 <u>306,723</u>	 <u>2,059,380</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 3,040,705</u>	 <u>\$ 348,398</u>	 <u>\$ 3,389,103</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position

For the Fiscal Year Ended June 30, 2016

Total fund balances--governmental funds		\$ 2,059,380
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets	\$ 13,719,569	
Accumulated depreciation	<u>(4,227,045)</u>	9,492,524
The net pension asset is not an available resource and, therefore, is not reported in the funds		196,296
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and capital outlay notes payable	(2,063,000)	
Unamortized bond premium	(13,269)	
Compensated absences	(48,768)	
Lease obligations	<u>(130,585)</u>	(2,255,622)
Certain deferred outflows of resources and deferred inflows of resources are not available resources and, therefore, are not reported in the funds:		
Pension contributions made after the net pension liability measurement date	158,941	
Changes in proportion and differences between contributions and proportionate share of contributions - pension	388	
Differences between projected and actual earnings on pension plan investments	(31,657)	
Differences between projected and actual pension plan actuarial experience	<u>(102,926)</u>	<u>24,746</u>
Total net position--governmental activities		<u>\$ 9,517,324</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE

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

For the Fiscal Year Ended June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Local taxes	\$ 2,633,539	\$ -	\$ 2,633,539
Licenses and permits	42,077	-	42,077
Federal, state and local grants	49,098	21,990	71,088
Intergovernmental revenues	520,133	55,000	575,133
Charges for services	275,482	116,389	391,871
Interest earnings	3,281	101	3,382
Fines, forfeits and penalties	58,095	25,459	83,554
Contributions and donations	33,546	102,361	135,907
Other revenue	120,743	46,307	167,050
Total revenues	3,735,994	367,607	4,103,601
Expenditures:			
General government	770,877	-	770,877
Public safety	843,485	-	843,485
Public works	1,271,925	-	1,271,925
Culture and recreation	512,567	-	512,567
Contingency reserve	2,632	-	2,632
Debt service	322,854	-	322,854
Sanitation	-	141,060	141,060
Volunteer fire department	-	417,116	417,116
Drug enforcement	-	9,338	9,338
Total expenditures	3,724,340	567,514	4,291,854
Revenues over (under) expenditures	11,654	(199,907)	(188,253)
Other financing sources (uses):			
Other financing sources	5,298	-	5,298
Transfers (to) from other funds	(281,265)	281,265	-
Total other financing sources (uses)	(275,967)	281,265	5,298
Net changes in fund balances	(264,313)	81,358	(182,955)
Fund balance, beginning	2,016,970	225,365	2,242,335
Fund balance, ending	\$ 1,752,657	\$ 306,723	\$ 2,059,380

The accompanying notes are an integral part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2016

Total net change in fund balances--governmental funds		\$ (182,955)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays:		
Depreciation expense	\$ (349,744)	
Capital outlays	<u>261,404</u>	(88,340)
Proceeds from the sale of capital assets is revenue in the governmental funds, but the net book value of the asset sold is removed from the capital assets in the statement of net position and offset against the proceeds resulting in a gain (loss) on disposal of capital assets in the statement of activities		
		(14,027)
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Proceeds from capital lease	(5,298)	
Proceeds from capital outlay notes	-	
Principal paid on long-term debt	279,506	
Premium amortized	<u>895</u>	275,103
Some changes reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Compensated absences	(754)	
Change in net pension asset	8,201	
Change in deferred outflows of resources related to pensions - TCRS	114,645	
Change in deferred inflows of resources related to pensions - TCRS	<u>17,666</u>	<u>139,758</u>
Change in net position of governmental activities		<u>\$ 129,539</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE
Statement of Net Position - Proprietary Funds
June 30, 2016

	<u>Enterprise Fund</u> <u>Water and Sewer Department</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 1,000,838
Receivables -	
Customer service accounts, less allowance for doubtful accounts of \$22,000	182,936
Unbilled receivables	91,334
Other	3,685
Due from governmental funds	330
Due from other governments	57,500
Total current assets	<u>1,336,623</u>
Non-current assets:	
Capital assets, not being depreciated -	
Land and land rights	8,900
Construction work in progress	57,743
Capital assets, being depreciated -	
Utility plant	17,835,520
Less: accumulated depreciation	<u>(5,478,563)</u>
Total capital assets	12,423,600
Other non-current assets:	
Net pension asset	<u>77,600</u>
Total non-current assets	<u>12,501,200</u>
Total assets	<u>13,837,823</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension contributions made after the net pension liability measurement date	<u>61,224</u>
Total deferred outflows of resources	<u>61,224</u>

(Continued)

TOWN OF DANDRIDGE, TENNESSEE

Statement of Net Position - Proprietary Funds
(Continued)

June 30, 2016

	Enterprise Fund <u>Water and Sewer Department</u>
<u>LIABILITIES</u>	
Current liabilities:	
Current maturities of long-term debt	\$ 190,534
Accounts payable	40,088
Construction payable	222,129
Accrued wages payable	5,123
Compensated absences payable	22,863
Due to governmental funds	11,130
Due to other governments	9,441
Other accrued expenses	1,652
	<u>502,960</u>
Non-current liabilities:	
Interfund payable, less current maturities	186,423
Long-term debt, less current maturities	4,525,600
	<u>4,712,023</u>
Total non-current liabilities	<u>4,712,023</u>
Total liabilities	<u>5,214,983</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Change in proportion and differences between contributions and proportionate share of contributions - pension	388
Net difference between projected and actual earnings on pension plan investments	12,514
Differences between projected and actual experience - pension	40,689
	<u>53,591</u>
Total deferred inflows of resources	<u>53,591</u>
<u>NET POSITION</u>	
Net position:	
Net investment in capital assets	7,298,914
Restricted for net pension asset	77,600
Unrestricted	1,253,959
	<u>8,630,473</u>
Total net position	<u>\$ 8,630,473</u>

The accompanying notes are an integral
part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE

Statement of Revenues, Expenses and Change
in Net Position - Proprietary Funds

For the Fiscal Year Ended June 30, 2016

	Enterprise Fund <u>Water and Sewer Department</u>
Operating revenues:	
Water sales	\$ 1,314,590
Sewer service charges	675,321
Forfeited discounts and penalties	28,251
Tap fees	123,600
Fire service and hydrant rental	13,000
Miscellaneous	28,428
Installation charges	<u>38,050</u>
Total operating revenues	<u>2,221,240</u>
Operating expenses:	
Water treatment and distribution	809,526
Sewer collection and disposal	482,844
Administrative and general	272,190
Provision for depreciation	<u>428,729</u>
Total operating expenses	<u>1,993,289</u>
Operating income	<u>227,951</u>
Non-operating revenues (expense):	
Interest income	3,162
Interest expense	<u>(109,534)</u>
	<u>(106,372)</u>
Income before capital contributions	121,579
Capital contributions	<u>284,878</u>
Change in net position	406,457
Net position, beginning	<u>8,224,016</u>
Net position, ending	<u><u>\$ 8,630,473</u></u>

The accompanying notes are an integral
part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE

Statement of Cash Flows - Proprietary Funds
Water and Sewer Department

For the Fiscal Year Ended June 30, 2016

Cash flows from operating activities:	
Cash received from customers	\$ 2,139,848
Cash payments to suppliers for goods and services	(1,217,491)
Cash payments to employees for services	<u>(432,710)</u>
Net cash provided by operating activities	<u>489,647</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,156,142)
Principal payments on long-term debt	(176,959)
Interest paid on long-term debt	(109,533)
Capital contributions	<u>284,878</u>
Net cash used by capital and related financing activities	<u>(1,157,756)</u>
Cash flows from investing activities:	
Interest received on investments	<u>3,162</u>
Net cash provided by investing activities	<u>3,162</u>
Net decrease in cash and cash equivalents	(664,947)
Cash and cash equivalents, beginning	<u>1,665,785</u>
Cash and cash equivalents, ending	<u>\$ 1,000,838</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 227,951
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	428,729
(Increase) decrease in assets and deferred outflows:	
Accounts receivable	(9,487)
Unbilled revenue	(11,980)
Other receivables	(1,597)
Due from other governments	(57,500)
Net pension asset	(1,623)
Deferred outflow related to pension	(940)
Increase (decrease) in liabilities and deferred inflows:	
Accounts payable	(2,360)
Accrued wages and benefits payable	(365)
Due to other governments	(828)
Due to governmental funds	(28,899)
Deferred inflow related to pension	<u>(51,454)</u>
Net cash provided by operating activities	<u>\$ 489,647</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE

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

For the Fiscal Year Ended June 30, 2016

	Original 2016 Budget	Revised 2016 Budget	2016 Actual
Revenues:			
Local taxes:			
Local sales tax	\$ 1,200,000	\$ 1,200,000	\$ 1,201,868
Property taxes	974,078	996,484	1,082,480
Wholesale beer tax	185,500	185,500	201,730
Mixed drink taxes	30,000	30,000	15,656
Business tax	80,000	80,000	79,431
Cable TV franchise tax	49,000	49,000	52,374
	<u>2,518,578</u>	<u>2,540,984</u>	<u>2,633,539</u>
Total local taxes			
Licenses and permits:			
Building permits	28,735	28,735	39,819
Beer permits	2,700	2,700	2,258
	<u>31,435</u>	<u>31,435</u>	<u>42,077</u>
Total licenses and permits			
Intergovernmental revenues:			
Federal grants	-	20,809	31,104
State grants	-	16,694	17,994
State law enforcement education	6,000	6,000	6,600
State sales tax	211,178	211,178	227,684
State income tax	-	-	158,991
State beer tax	1,500	1,500	1,373
State gasoline and motor fuel tax	75,000	75,000	77,313
State street and transportation	5,757	5,757	5,721
Gross receipts tax - TVA	32,000	32,000	33,809
Corporate excise tax	5,700	5,700	8,642
	<u>337,135</u>	<u>374,638</u>	<u>569,231</u>
Total intergovernmental revenues			
Charges for services:			
Street maintenance contract	35,000	35,000	49,520
Park and recreation charges	146,000	185,000	177,895
Other	48,901	48,901	48,067
	<u>229,901</u>	<u>268,901</u>	<u>275,482</u>
Total charges for services			
Fines, forfeits and penalties:			
Court fines and costs	43,200	43,200	58,095
	<u>43,200</u>	<u>43,200</u>	<u>58,095</u>
Total fines, forfeits and penalties			

(Continued)

TOWN OF DANDRIDGE, TENNESSEE

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2016

	Original 2016 Budget	Revised 2016 Budget	2016 Actual
Revenues (continued):			
Other revenue:			
Other revenue	\$ 15,500	\$ 15,500	\$ 20,976
Interest earnings	1,600	1,600	3,281
Rent	25,000	25,000	46,226
Sale of equipment	5,000	5,000	25,537
Insurance recoveries	3,000	24,742	28,004
Contributions	25,000	25,000	33,546
	<u>75,100</u>	<u>96,842</u>	<u>157,570</u>
Total other revenue			
Total revenues	<u>3,235,349</u>	<u>3,356,000</u>	<u>3,735,994</u>
Expenditures:			
General government:			
Legislative:			
Personal services	60,406	60,406	59,929
Contractual services	9,500	9,500	5,480
	<u>69,906</u>	<u>69,906</u>	<u>65,409</u>
Total legislative			
Judicial:			
Contractual services	4,200	4,200	4,200
	<u>4,200</u>	<u>4,200</u>	<u>4,200</u>
Total judicial			
Central staff agencies:			
Personal services	272,551	275,032	265,903
Contractual services	62,740	67,445	67,236
Supplies	9,000	9,000	10,265
	<u>344,291</u>	<u>351,477</u>	<u>343,404</u>
Total central staff agencies			
Building inspector/codes enforcement:			
Personal services	58,744	59,286	58,161
Contractual services	4,405	4,405	2,388
Supplies	1,450	1,450	737
	<u>64,599</u>	<u>65,141</u>	<u>61,286</u>
Total building inspector/codes enforcement			
General government buildings:			
Personal services	76,287	76,863	69,043
Contractual services	39,900	57,334	53,556
Supplies	20,400	25,539	25,510
Fixed charges	500	500	687
	<u>137,087</u>	<u>160,236</u>	<u>148,796</u>
Total general government buildings			

(Continued)

TOWN OF DANDRIDGE, TENNESSEE

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2016

	Original 2016 Budget	Revised 2016 Budget	2016 Actual
Expenditures (continued):			
General government (continued):			
Other general government:			
Personal services	\$ 250	\$ 250	\$ -
Contractual services	42,955	42,955	34,668
Supplies	1,000	1,000	2,051
Fixed charges	37,401	37,401	45,560
Grants, contributions and donations	79,904	79,904	61,354
Capital outlay	20,000	20,000	4,149
	<u>181,510</u>	<u>181,510</u>	<u>147,782</u>
Total other general government	181,510	181,510	147,782
Total general government	<u>801,593</u>	<u>832,470</u>	<u>770,877</u>
Public safety:			
Police:			
Personal services	723,299	738,100	744,090
Contractual services	32,296	39,796	31,527
Supplies	67,800	67,800	47,404
Capital outlay	-	14,868	14,130
	<u>823,395</u>	<u>860,564</u>	<u>837,151</u>
Total police	823,395	860,564	837,151
Support services:			
Contractual services	6,334	6,334	6,334
	<u>6,334</u>	<u>6,334</u>	<u>6,334</u>
Total support services	6,334	6,334	6,334
Total public safety	<u>829,729</u>	<u>866,898</u>	<u>843,485</u>
Public works:			
Highways and streets:			
Personal services	204,235	205,898	179,419
Contractual services	62,160	519,503	520,755
Supplies	49,300	53,800	56,879
Building materials	12,000	12,000	12,045
Fixed charges	3,000	3,000	750
Capital outlay	-	244,124	243,898
	<u>330,695</u>	<u>1,038,325</u>	<u>1,013,746</u>
Total highways and streets	330,695	1,038,325	1,013,746
City garage:			
Personal services	54,064	57,815	55,837
Contractual services	750	750	580
Supplies	3,600	3,600	2,873
	<u>58,414</u>	<u>62,165</u>	<u>59,290</u>
Total city garage	58,414	62,165	59,290

(Continued)

TOWN OF DANDRIDGE, TENNESSEE

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2016

	Original 2016 Budget	Revised 2016 Budget	2016 Actual
Expenditures (continued):			
Public works (continued):			
State street aid:			
Contractual services	\$ 200,000	\$ 200,000	\$ 198,889
Total state street aid	<u>200,000</u>	<u>200,000</u>	<u>198,889</u>
Total public works	<u>589,109</u>	<u>1,300,490</u>	<u>1,271,925</u>
Culture and recreation:			
Recreation:			
Personal services	100,170	101,012	100,896
Contractual services	32,175	46,417	39,432
Supplies	17,500	17,500	10,406
Fixed charges	600	600	330
Capital outlay	-	5,943	5,943
Total recreation	<u>150,445</u>	<u>171,472</u>	<u>157,007</u>
Activity center:			
Personal services	151,187	151,741	139,107
Contractual services	85,800	113,800	129,563
Supplies	25,750	39,150	30,582
Fixed charges	4,700	4,700	-
Total activity center	<u>267,437</u>	<u>309,391</u>	<u>299,252</u>
Libraries:			
Contractual services	10,550	10,550	7,251
Fixed charges	-	-	1,385
Grants, contributions and donations	47,672	47,672	47,672
Total libraries	<u>58,222</u>	<u>58,222</u>	<u>56,308</u>
Total culture and recreation	<u>476,104</u>	<u>539,085</u>	<u>512,567</u>
Reserve for contingency:			
Contingency reserve	10,000	10,000	2,632
Total reserve for contingency	<u>10,000</u>	<u>10,000</u>	<u>2,632</u>
Debt service:			
Bonds and notes payable	261,981	241,981	242,505
Interest and fiscal charges	79,314	79,314	80,349
Total debt service	<u>341,295</u>	<u>321,295</u>	<u>322,854</u>
Total expenditures	<u>3,047,830</u>	<u>3,870,238</u>	<u>3,724,340</u>
Revenues over (under) expenditures	<u>187,519</u>	<u>(514,238)</u>	<u>11,654</u>

(Continued)

TOWN OF DANDRIDGE, TENNESSEE

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2016

	Original 2016 Budget	Revised 2016 Budget	2016 Actual
	<u> </u>	<u> </u>	<u> </u>
Other financing sources (uses):			
Proceeds from capital lease	\$ -	\$ 5,298	\$ 5,298
Transfers (to) from other funds	<u>(187,519)</u>	<u>(304,684)</u>	<u>(281,265)</u>
Total other financing sources (uses)	<u>(187,519)</u>	<u>(299,386)</u>	<u>(275,967)</u>
Net change in fund balance	-	(813,624)	(264,313)
Fund balance, beginning	<u>2,016,970</u>	<u>2,016,970</u>	<u>2,016,970</u>
Fund balance, ending	<u>\$ 2,016,970</u>	<u>\$ 1,203,346</u>	<u>\$ 1,752,657</u>

The accompanying notes are an integral
part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements

June 30, 2016

1. Summary of Significant Accounting PoliciesDescription of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

Reporting Entity

The Town of Dandridge, Tennessee is a municipal corporation governed by an elected mayor and six-member governing council. The accompanying financial statements present the primary government.

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer functions 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.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category — governmental and proprietary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

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

The government reports the following major enterprise fund:

The *Water and Sewer Department Fund* accounts for all the activities of Dandridge Water and Sewer System. The Dandridge Water and Sewer System operates the water distribution and sewer collection and treatment systems for residents of the Town and surrounding areas.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)1. Summary of Significant Accounting Policies (Continued)Basis of Presentation – Fund Financial Statements (Continued)

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The 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 Town 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, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)1. Summary of Significant Accounting Policies (Continued)Measurement Focus and Basis of Accounting (Continued)

Property taxes, sales taxes, franchise taxes, licenses, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The appropriated budget is prepared by fund, function, and department. All supplemental appropriations require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the individual fund level. Budgetary monitoring, however, is maintained at the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

At June 30, 2016, the government had no encumbrances. Also, for the year ended June 30, 2016, the government did not have any excess expenditures over appropriations.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance**Cash and Cash Equivalents**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments (including restricted assets) having original maturity dates of three months or less from date of acquisition.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)1. Summary of Significant Accounting Policies (Continued)Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)**Property Taxes Receivable**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before February 28 of the following year. All unpaid taxes become delinquent March 1 of the following year.

Property tax revenues are recognized when levied to the extent that they result in current receivables within sixty days of the end of the year. Property taxes recognized as a receivable before the period of revenue recognition are reported as deferred inflows of resources. A reserve representing delinquent taxes which remain uncollectible and are unavailable to fund expenditures of the fiscal year June 30, 2016 is recorded. The balance of the reserve at June 30, 2016 is \$101,511.

At June 30, 2016, the government's 2016 property taxes were not scheduled to be billed until October 2016. Consequently, unbilled property taxes and deferred inflows of resources of \$1,032,000 are recorded.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, etc.), are reported in the applicable governmental or business-type activities column 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.

As the government constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the item's capacity, efficiency, or estimated useful life. Donated capital assets are recorded at estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. During the year ended June 30, 2016, there were no capitalized interest costs.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)1. Summary of Significant Accounting Policies (Continued)Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)**Capital Assets** (Continued)

Land and improvements and construction/retirement in progress are not depreciated. The other property, equipment, and infrastructure in governmental activities are depreciated using the straight line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	15 - 150 years
Machinery and equipment	7 - 30 years
Vehicles	8 - 50 years
Streets and bridges	100 years

The other property, plant and equipment in business activities are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Water and sewer systems	7 - 40 years
Structures and improvements	10 - 33 years
Machinery and equipment	3 - 35 years

Deferred Outflows/Inflows of Resources

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

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

The government has items that qualify for reporting in these categories. Pension contributions made after the net pension liability measurement date are reported as deferred outflows on the statement of net position. Certain property taxes in the general fund are unavailable resources in the current year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, the statement of net position includes differences between projected and actual earnings on pension plan earnings and pension plan actuarial experience.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)1. Summary of Significant Accounting Policies (Continued)Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)**Net Position Flow Assumption**

Net position – net investment in capital assets in the government-wide and proprietary fund financial statements consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net investment in capital assets will also include deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt. If there are any significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, the portion of the debt is included in the same net position component (restricted or unrestricted) as the unspent proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted or external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as net position - restricted and net position - unrestricted in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider net position - restricted to have been depleted before net position - unrestricted is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)1. Summary of Significant Accounting Policies (Continued)Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)**Fund Balance Policies (Continued)**

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Mayor and Aldermen has by resolution authorized the Town Administrator to assign fund balance. The Council 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. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses**Program Revenues**

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Compensated Absences

Compensated absences are reported in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the government will compensate the employees for the benefits through paid time off or some other means. The government records a liability for accumulated unused vacation time when earned for all employees. The entire compensated absences liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. At June 30, 2016, there were no such amounts reported. The noncurrent portion of the liability is not reported, but if the long-term portion were required to be liquidated, the amount would be paid from the General Fund as has been done in prior years.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)1. Summary of Significant Accounting Policies (Continued)Revenues and Expenditures/Expenses (Continued)**Compensated Absences (Continued)**

The Town - Employees of the Town are granted vacation and sick leave in varying amounts based on their length of employment. Annual leave may be accumulated up to twenty-five days. Employees must take annual leave off after accumulating twenty-five days or lose the ability to further accumulate leave.

Employees accrue eight hours of sick leave for each completed month of service, which does not vest upon termination.

Water and Sewer Department – Employees are granted vacation in varying amounts based on their length of employment. Annual leave may be accumulated up to twenty-five days. Employees must take annual leave off after accumulating twenty-five days or lose the ability to further accumulate leave.

Employees accrue eight hours of sick leave for each completed month of service, which does not vest upon termination.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds 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.

Other Accounting Policies**Use of Estimates**

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

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)1. Summary of Significant Accounting Policies (Continued)Other Accounting Policies (Continued)**Restricted Assets**

These assets consist of cash and demand deposits restricted for debt service, drug enforcement, future expansion of facilities, federal grants and various other restricted uses.

Pension Plan

Certain employees of the government participate in a defined benefit pension plan. This plan is the Public Employee Retirement Plan administered by the Tennessee Consolidated Retirement System (TCRS).

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the fiduciary net position of the government's participation in this plan, and additions to/deductions from fiduciary net position has been determined on the same basis as it is reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Recently Issued and Adopted Accounting Pronouncements

GASB has issued the following recent pronouncements:

Statement No. 72, "Fair Value Measurement and Application" – The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2015.

Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68" – The requirements of this Statement are effective for financial reporting periods beginning after June 15, 2015.

Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" – The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2015.

Statement No. 79, "Certain External Investment Pools and Pool Participants" – The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2015.

These Statements have no effect on the Town.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)2. Cash and Cash Equivalents

At June 30, 2016, all of the government's deposits with financial institutions were insured by federal depository insurance or were collateralized by investments held by the government's agent in the government's name.

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash on hand	\$ 10,775	\$ -	\$ 10,775
Checking and money market accounts	<u>2,416,105</u>	<u>53,555</u>	<u>2,469,660</u>
	<u>\$ 2,426,880</u>	<u>\$ 53,555</u>	<u>\$ 2,480,435</u>

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

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

1. Insured by federal depository insurance or the bank's participation in the State Collateral Pool, or collateralized with securities held by the government or by its agent in the government's name.
2. Collateralized with securities held by the pledging bank's trust department or agent in the government's name.
3. Uncollateralized

The book balances held in each category are as follows:

Insured or collateralized with securities held by the government's agent in the government's name or collateralized with securities held by pledging bank's and government's agent in the government's name

\$2,469,660

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)3. Capital Assets

Governmental capital asset activity for the fiscal year ended June 30, 2016 was as follows:

<u>Governmental Activities</u>	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Capital assets, not being depreciated:				
Construction in progress	\$ 15,059	\$ 32,604	\$ 47,663	\$ -
Land	626,202	-	-	626,202
Total capital assets, not being depreciated	<u>641,261</u>	<u>32,604</u>	<u>47,663</u>	<u>626,202</u>
Capital assets, being depreciated:				
Buildings and improvements	4,504,715	12,497	-	4,517,212
Infrastructures	5,349,206	35,166	-	5,384,372
Machinery and equipment	3,051,407	228,800	88,424	3,191,783
Total capital assets, being depreciated	<u>12,905,328</u>	<u>276,463</u>	<u>88,424</u>	<u>13,093,367</u>
Less accumulated depreciation for:				
Buildings and improvements	700,184	97,787	-	797,971
Infrastructures	1,584,233	82,258	-	1,666,491
Machinery and equipment	1,667,281	169,699	74,397	1,762,583
Total accumulated depreciation	<u>3,951,698</u>	<u>349,744</u>	<u>74,397</u>	<u>4,227,045</u>
Capital assets, being depreciated, net	<u>8,953,630</u>	<u>(73,281)</u>	<u>14,027</u>	<u>8,866,322</u>
Governmental activities assets, net	<u>\$ 9,594,891</u>	<u>\$ (40,677)</u>	<u>\$ 61,690</u>	<u>\$ 9,492,524</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 10,983
Public works	139,660
Public safety	46,484
Volunteer fire department	58,455
Recreation and culture	94,162
Total depreciation expense	<u>\$ 349,744</u>

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)3. Capital Assets (Continued)

Business-type capital asset activity for the fiscal year ended June 30, 2016 was as follows:

<u>Business-Type Activities</u>	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Capital asset, not being depreciated:				
Construction in progress	\$ 1,256,591	\$ (1,198,848)	\$ -	\$ 57,743
Land easements	8,900	-	-	8,900
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital asset, not being depreciated	1,265,491	(1,198,848)	-	66,643
	<hr/>	<hr/>	<hr/>	<hr/>
Capital assets, being depreciated:				
Buildings	718,780	-	-	718,780
Lines and tanks	11,447,309	2,484,432	-	13,931,741
Equipment	2,670,459	92,687	-	2,763,146
Furniture and fixtures	117,826	-	-	117,826
Vehicles	304,027	-	-	304,027
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, being depreciated	15,258,401	2,577,119	-	17,835,520
	<hr/>	<hr/>	<hr/>	<hr/>
Less accumulated depreciation for:				
Buildings	146,942	18,841	-	165,783
Lines and tanks	3,869,479	278,831	-	4,148,310
Equipment	757,039	105,224	-	862,263
Furniture and fixtures	49,401	7,578	-	56,979
Vehicles	226,973	18,255	-	245,228
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	5,049,834	428,729	-	5,478,563
	<hr/>	<hr/>	<hr/>	<hr/>
Capital assets, being depreciated, net	10,208,567	2,148,390	-	12,356,957
	<hr/>	<hr/>	<hr/>	<hr/>
Business-type activities capital assets, net	<u>\$ 11,474,058</u>	<u>\$ 949,542</u>	<u>\$ -</u>	<u>\$ 12,423,600</u>

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

Water and Sewer	<u>\$ 428,729</u>
-----------------	-------------------

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)4. Long-Term Liabilities**Governmental-Type Activities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016 in governmental activities:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
Capital outlay note, dated 6/30/09	\$ 37,000	\$ -	\$ 37,000	\$ -	\$ -
Capital outlay note, dated 4/7/11	1,805,000	-	85,000	1,720,000	90,000
Capital outlay note, dated 4/10/13	61,000	-	20,000	41,000	20,000
Capital outlay note, dated 5/1/13	86,000	-	28,000	58,000	29,000
Capital outlay note, dated 5/6/15	300,000	-	56,000	244,000	59,000
Capital lease obligation, dated 7/6/12	5,524	-	2,829	2,695	2,695
Capital lease obligation, dated 1/1/14	76,064	-	17,857	58,207	18,608
Capital lease obligation dated 10/28/14	97,204	-	30,849	66,355	32,376
Capital lease obligation, dated 11/17/14	-	5,298	1,970	3,328	1,328
Compensated absences	48,015	55,531	54,778	48,768	-
	<u>\$ 2,515,807</u>	<u>\$ 60,829</u>	<u>\$ 334,283</u>	<u>\$ 2,242,353</u>	<u>\$ 253,007</u>

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)4. Long-Term Liabilities (Continued)**Governmental-Type Activities (Continued)**

Bonds, capital outlay notes and capital lease obligations at June 30, 2016 consist of the following:

Bonds and Capital Outlay Notes

\$2,040,000 General Obligation Bonds, Series 2011, interest due June 1 and December 1 at a fixed rate of 2.00% to 4.00%, principal due annually on June 1.	\$ 1,720,000
\$100,000 loan agreement with Tennessee Municipal Bond Fund Alternative Loan Program, Series 2013, interest due annually on April 1 at a fixed rate of 2.47%, principal due annually on April 1.	41,000
\$140,000 loan agreement with Tennessee Municipal Bond Fund Alternative Loan Program, Series 2012, interest due annually on November 1 at a fixed rate of 2.16%, principal due annually on November 1.	58,000
\$300,000 loan agreement with Tennessee Municipal Bond Fund Alternative Loan Program, Series 2015, interest due annually on April 1 at a fixed rate of 2.15%, principal due annually on April 1.	<u>244,000</u>
Total bonds and capital outlay notes	<u>\$ 2,063,000</u>

Capital Leases

Capital lease obligation, dated July 6, 2012, sixty monthly payments of \$250. Interest rate is 4.00%.	\$ 2,695
Capital lease obligation, dated January 1, 2014, five consecutive annual payments of \$21,057. Interest rate is 4.206%.	58,207
Capital lease obligation, dated October 28, 2014, four consecutive in advance payments of \$132,865. Interest rate is 4.95%.	66,355
Capital Lease Obligation, dated November 17, 2014, forty-eight monthly payments of \$122 for a total of \$5,298. Interest rate is 5.075%.	<u>3,328</u>
Total capital leases	<u>\$ 130,585</u>

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)4. Long-Term Liabilities (Continued)**Business-Type Activities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016 in business-type activities:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due in One Year
Water & Sewer Refunding Bonds, Series 2014	\$ 4,680,425	\$ -	\$ 133,625	\$ 4,546,800	\$ 144,200
Capital outlay note dated 5/6/15	200,000	-	37,000	163,000	40,000
Interfund note payable	199,091	-	6,334	192,757	6,334
	<u>\$ 5,079,516</u>	<u>\$ -</u>	<u>\$ 176,959</u>	<u>\$ 4,902,557</u>	<u>\$ 190,534</u>

Bonds and Capital Outlay Notes

\$4,680,425 Water & Sewer Revenue and Tax Refunding Bond, Series 2014, principal payable in 25 annual payments beginning August 2015, interest payable in semi-annual installments at a rate of 2.29% through 2039.

\$ 4,546,800

\$200,000 Capital Outlay Note - Tennessee Municipal Bond Fund, principal payable in five annual installments beginning April 2016, interest payable in semi-annual installments at a rate of 2.15% through 2020.

163,000

Note payable to General Fund for purchase of water lines and tank, payable in annual principal installments of \$6,334 through 2047. Note payable is non-interest bearing.

192,757

Total business-type long-term debt

4,902,557

Less current maturities

190,534

\$ 4,712,023

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)4. Long-Term Liabilities (Continued)**Business-Type Activities (Continued)**Principal and Interest Requirements

The annual requirements to amortize long-term liabilities as of June 30, 2016 are as follows:

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 253,007	\$ 72,874	\$ 190,534	\$ 105,974
2018	254,767	66,176	193,934	101,773
2019	177,811	58,932	198,234	97,496
2020	163,000	54,367	202,734	93,119
2021	100,000	50,013	164,234	88,640
2022-2026	570,000	198,437	877,070	386,638
2027-2031	675,000	83,000	978,470	236,080
Thereafter	-	-	2,097,347	261,030
	<u>\$ 2,193,585</u>	<u>\$ 583,799</u>	<u>\$ 4,902,557</u>	<u>\$ 1,370,750</u>

5. Retirement Plan**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)**General Information about the Pension Plan

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

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)5. Retirement Plan (Continued)**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)**
(Continued)General Information about the Pension Plan (Continued)

are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

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

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	55
Active employees	<u>43</u>
	<u>111</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees are non-contributory. The government makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the government were \$216,871 based on a rate of 14.25 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the government's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The government's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

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

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)5. Retirement Plan (Continued)**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)**
(Continued)Net Pension Liability (Asset) (Continued)*Actuarial assumptions (continued)*

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

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

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

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

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

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)5. Retirement Plan (Continued)**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)**
(Continued)Changes in the Net Pension Liability (Asset)

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

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

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a) - (b)</u>
Beginning balance*	\$ 3,945,618	\$ 4,209,690	\$ (264,072)
Changes for the year:			
Service cost	98,036	-	98,036
Interest	298,555	-	298,555
Differences between expected and actual experience	(60,652)	-	(60,652)
Contributions - employer	-	216,871	(216,871)
Contributions - employees	-	-	-
Net investment income	-	131,024	(131,024)
Benefit payments, including refunds of employee contributions	(125,851)	(125,851)	-
Administrative expense	-	(2,132)	2,132
Net changes	<u>210,088</u>	<u>219,912</u>	<u>(9,824)</u>
Ending balance*	<u>\$ 4,155,706</u>	<u>\$ 4,429,602</u>	<u>\$ (273,896)</u>

* The measurement date of the beginning balance was June 30, 2014 and the measurement date of the ending balance was June 30, 2015. The reporting date of the beginning balance is June 30, 2015 and the reporting date of the ending balance is June 30, 2016.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)5. Retirement Plan (Continued)**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)**
(Continued)Changes in the Net Pension Liability (Asset) (Continued)

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

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Government's net pension liability (asset)	\$ 370,919	\$ (273,896)	\$ (801,991)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Expense. For the year ended June 30, 2015, the government recognized pension expense of \$25,636.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 143,615
Net difference between projected and actual earnings on pension plan investments	150,429	194,600
Changes in proportion and differences between contributions and proportionate share of contributions	-	388
Contributions subsequent to the measurement date of June 30, 2015	<u>220,165</u>	<u>-</u>
Total	<u>\$ 370,594</u>	<u>\$ 338,603</u>

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

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)5. Retirement Plan (Continued)**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)**
(Continued)Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)*Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)*

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

Year Ended June 30:	
2017	\$ (49,933)
2018	(49,933)
2019	(49,933)
2020	14,935
2021	(22,673)
Thereafter	(30,249)

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

Payable to the Pension Plan

At June 30, 2016, the government reported a payable of \$3,760 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

6. Postemployment Benefits

The Plan is a single employer defined benefit other postemployment benefit plan administered by the government. The Plan's provisions are established and may be amended by the Mayor and Board of Aldermen.

Postemployment health care is available to certain retired employees of the Town. Hospitalization insurance is provided to retired employees until age 65 or until eligible for Medicare.

Summary of Principal Plan Provisions**Plan Provisions****Medical Benefits**

Eligibility

Retirement at age 62 with 5 years of service

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)6. Postemployment Benefits (Continued)**Summary of Principal Plan Provisions (Continued)****Medical Benefits (Continued)**

Postretirement Contributions

Dandridge pays a portion of the premium for individual coverage for the retiree based on years of service at retirement. The retiree pays the balance, if any. The premium subsidy is 100% for retirees with 20 or more years of service at retirement; 80% with at least 15 but less than 20 years of service; 60% with at least 10 but less than 15 years of service and no subsidy for less than 10 years of service.

Medical Plan Benefit

Benefits are provided through the Local Government Plan under the State of Tennessee Group Insurance Program. PPO options are available through either Blue Cross Blue Shield of Tennessee or CIGNA.

Coverage is provided to the age of Medicare eligibility

Other Benefits

No other healthcare benefits are available to retirees.

All benefits continue as long as any required contributions are paid.

Change in Plan Provisions

None

Methods and Assumptions**Actuarial Method**

Entry Age Normal Cost Method (Percentage of Salary)

Service Cost

Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each individual's service between date of hire and date of expected termination.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)6. Postemployment Benefits (Continued)**Summary of Principal Plan Provisions (Continued)****Methods and Assumptions (Continued)****Accumulated Postretirement
Benefit Obligation**

The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.

Discount Rate

4.00% (1.00% real rate of return plus 3.00% inflation)

Average Per Capital Claim Cost

Determined as of July 1, 2015

Age	Medical
55	9,828
56	10,172
57	10,528
58	10,897
59	11,278
60	11,673
61	12,081
62	12,504
63	12,942
64	13,395

Health Care Cost Trend

8.00% initial for FY2016 grading to 5.00% in FY2019

Mortality

RP-2014 Total with Projection MP-2015 Fully Generational

Turnover

Rates varying by age/ service/ gender.
Sample male rates:

Age 20	Age 35	Age 50
15.70%	5.80%	1.90%

Disability

None assumed

Payroll Increase Rate

2.50%

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)6. Postemployment Benefits (Continued)**Summary of Principal Plan Provisions (Continued)****Methods and Assumptions (Continued)****Retirement Rates**

Rates vary by age, with an average retirement age of 62.

Retiree Contributions

Based on years of service at retiree. Retirees with 20 or more years of service do not contribute toward the individual medical premium

Data Assumptions*Age Difference/% Married*

Spouses are assumed to be equal age, 50% married.

Coverage

100% of all retirees who currently have healthcare coverage will continue with the same coverage.

100% of all actives who currently have healthcare coverage will continue with individual coverage upon retirement. For those with family coverage, none will elect to continue with spouse coverage and the remainder will elect individual coverage.

Valuation Methodology and Terminology

We have used GASB accounting methodology to determine the post-retirement medical benefit obligations.

Amortization Period

The period used to determine amortization costs for the Unfunded Actuarial Accrued Liability is a period for 30 years based on the percentage of covered payroll.

Valuation Date

July 1, 2015

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)6. Postemployment Benefits (Continued)**Summary of Principal Plan Provisions (Continued)****GASB 45 Disclosure Requirements – Estimated**

A.	Annual OPEB Cost and Net OPEB Obligation	07/01/2012- 06/30/2013	07/01/2013- 06/30/2014	7/01/2014- 6/30/2015	07/01/2015- 06/30/2016
1.	Annual Required Contribution (ARC)	\$ 16,467	\$ 17,037	\$ 17,889	\$ 17,187
2.	Interest on net OPEB Obligation	1,614	2,240	2,917	3,652
3.	Adjustment to ARC	(1,830)	(2,331)	(2,448)	(3,801)
4.	Annual OPEB Cost (Expense)	16,251	16,946	18,358	17,038
5.	Contribution made (assumed middle of year)*	(615)	-	-	(2,546)
6.	Increase in net OPEB Obligation	15,636	16,946	18,358	14,492
7.	Net OPEB Obligation - beginning of year	40,353	55,989	72,935	91,293
8.	Net OPEB Obligation - end of year	<u>\$ 55,989</u>	<u>\$ 72,935</u>	<u>\$ 91,293</u>	<u>\$ 105,785</u>

*Contribution made was assumed to equal Expected Benefit Payments

The annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ending 2014, 2015, and 2016 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2014	\$ 16,946	0.0%	\$ 72,935
06/30/2015	\$ 18,358	0.0%	\$ 91,293
06/30/2016	\$ 17,038	14.9%	\$ 105,785

A. Funded Status and Funding Progress (latest information available)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (AAL) ((b - a) / c)
7/1/2011	\$ 0	\$ 78,318	\$ 78,318	0.0%	\$ 1,401,278	5.60%
7/1/2013	\$ 0	\$ 135,012	\$ 135,012	0.0%	\$ 1,547,022	8.73%
7/1/2015	\$ 0	\$ 126,122	\$ 126,122	0.0%	\$ 1,376,398	9.16%

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)7. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The government purchases commercial insurance for all of these risks of loss. Settled claims have not exceeded this commercial coverage in any of the last three years.

8. Litigation

Various claims and lawsuits are filed against the Town from time to time. Management intends to vigorously defend these complaints. Any litigation involving the Town during the current fiscal year has been resolved.

9. Interfund Receivables and Payables

Interfund receivable/payable balances at June 30, 2016 are as follows:

Due To	Due From					Total
	General Fund	Drug Fund	Sanitation Fund	Volunteer Fire Department Fund	Water and Sewer Fund	
General Fund	\$ -	\$ 274	\$ -	\$ -	\$ 192,757	\$ 193,031
Drug Fund	5,000	-	-	-	-	5,000
Volunteer Fire Department Fund	495	-	-	-	-	495
Solid Waste Management Fund	32,430	-	-	-	11,130	43,560
Water and Sewer Fund	330	-	-	-	-	330
	<u>\$ 38,255</u>	<u>\$ 274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,887</u>	<u>\$ 242,416</u>

The purposes of these balances are to provide cash flow to various small funds and financing of an industrial development water tank.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)10. Operating Transfers

During the year, there were various operating transfers to and from other funds.

<u>Transfers To:</u>	<u>Transfers From:</u>	
	<u>General Fund</u>	
Volunteer Fire Department Fund	\$	259,242
Sanitation Fund		<u>22,023</u>
Total	<u>\$</u>	<u>281,265</u>

The purpose of these transfers from the General Fund was to provide funding for operational shortfalls and capital outlays in these funds.

11. Subsequent Events

Management has evaluated subsequent events through February 24, 2017, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF DANDRIDGE, TENNESSEE

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios
Based on Participation in the Public Employee Pension Plan of TCRS

For the Last 10 Measurement Periods Ended on June 30*

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 98,036	\$ 107,679
Interest	298,555	288,079
Changes in benefit terms	-	-
Differences between actual and expected experience	(60,652)	(120,727)
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	(125,851)	(125,580)
Net change in total pension liability	210,088	149,451
Total pension liability - beginning	3,945,618	3,796,167
Total pension liability - ending (a)	<u>\$ 4,155,706</u>	<u>\$ 3,945,618</u>
Plan fiduciary net position		
Contributions - employer	\$ 216,871	\$ 194,076
Contributions - employee	-	-
Net investment income	131,024	593,068
Benefit payments, including refunds of employee contributions	(125,851)	(125,580)
Administrative expense	(2,132)	(1,505)
Net change in plan fiduciary net position	219,912	660,059
Plan fiduciary net position - beginning	4,209,690	3,549,631
Plan fiduciary net position - ending (b)	<u>\$ 4,429,602</u>	<u>\$ 4,209,690</u>
Net pension liability (asset) - ending (a)-(b)	<u>\$ (273,896)</u>	<u>\$ (264,072)</u>
Plan fiduciary net position as a percentage of total pension liability	106.59%	106.69%
Covered-employee payroll	\$ 1,521,902	\$ 1,366,258
Net pension liability (asset) as a percentage of covered-employee payroll	-18.00%	-19.33%

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

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE

Schedule of Dandridge's Contributions Based on Participation
in the Public Employee Pension Plan of TCRS

Last 10 Fiscal Years Ending June 30*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 216,871	\$ 212,777	\$ 194,076
Contributions in relation to the actuarially determined contribution	<u>216,871</u>	<u>212,777</u>	<u>194,076</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,521,902	\$ 1,489,306	\$ 1,366,258
Contributions as a percentage of covered-employee payroll	14.25%	14.29%	14.20%

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

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE
Notes to Required Supplementary Information

June 30, 2016

Notes to Schedule - Public Employee Pension Plan of TCRS

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	4 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE

Schedule of Funding Progress

June 30, 2016

SCHEDULE OF FUNDING PROGRESS FOR THE TOWN OF DANDRIDGE'S OTHER POSTEMPLOYMENT BENEFITS*

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 01, 2011	\$0	\$78,318	\$78,318	0.00%	\$1,401,278	5.60%
July 01, 2013	\$0	\$135,012	\$135,012	0.00%	\$1,547,022	8.73%
July 01, 2015	\$0	\$126,122	\$126,122	0.00%	\$1,376,398	9.16%

*Latest information available

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF DANDRIDGE, TENNESSEE
Schedule of Expenditures of Federal and State Awards (1)
For the Fiscal Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Balance July 1, 2015		Receipts/ Loans/ Forfeitures	Expenditures/ Repayments	Balance June 30, 2016	
			Receivable	Unexpended			Receivable	Unexpended
FEDERAL AWARDS:								
U.S. Department of Transportation:								
State of Tennessee Department of Transportation - GHSG	20.607	Z15GH2094	\$ 3,743	\$ -	\$ 12,054	\$ 8,311 (2)	\$ -	\$ -
State of Tennessee Department of Transportation - GHSG	20.607	Z16GHS095	-	-	5,000	5,000 (2)	-	-
U.S. Department of Housing and Urban Development:								
State of Tennessee - Tennessee Housing Development Agency - HOME Grant	14.239	31620-00299	-	-	-	3,000	3,000	-
Tennessee Department of Economic and Community Development CDBG Sewer Line Replacement	14.218	Edison Vendor ID #2586	-	-	179,722	227,135	47,413	-
U.S. Department of Homeland Security:								
Federal Emergency Management Agency - Assistance to Firefighter Grant	97.044	N/A	-	-	843	843	-	-
Federal Emergency Management Agency - Tennessee Emergency Management Agency Winter Storm and Flooding DR-4211	97.036	34101-10516	-	-	10,295	10,295	-	-
U.S. Department of the Interior:								
State of Tennessee Historical Commission - Preservation Grant	15.904	32701-01257	4,510	-	7,498	2,988	-	-
TOTAL FEDERAL AWARDS			8,253	-	215,412	257,572	50,413	-
STATE AWARDS:								
Tennessee Emergency Management Agency Winter Storm and Flooding DR-4211	N/A	34101-10516	-	-	1,232	1,232	-	-
State of Tennessee Department of Finance and Administration - Office of Criminal Justice Interlock Equipment Grant	N/A	31701-62011	-	-	7,287	7,287	-	-
State of Tennessee Department of Environment and Conservation - Used Oil Grant	N/A	32701-02263	-	-	21,147	21,147	-	-
State of Tennessee Department of Environment and Conservation - Used Oil Grant	N/A	32701-02653	-	-	9,475	9,475	-	-
TOTAL STATE AWARDS			-	-	39,141	39,141	-	-
TOTAL FEDERAL AND STATE AWARDS			\$ 8,253	\$ -	\$ 254,553	\$ 296,713	\$ 50,413	\$ -

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
(2) Total CFDA #20.607 is \$13,311

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE

Nonmajor Governmental Funds
Combining Balance Sheet

June 30, 2016

	Governmental Funds			Total Nonmajor Governmental Funds
	Sanitation Fund	Volunteer Fire Department Fund	Drug Fund	
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ 244,847	\$ 53,555	\$ 298,402
Accounts receivable	-	269	672	941
Due from other governmental funds	32,431	494	5,000	37,925
Due from proprietary fund	11,130	-	-	11,130
Total assets	\$ 43,561	\$ 245,610	\$ 59,227	\$ 348,398
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ 36,028	\$ -	\$ 36,028
Accrued expenses	1,641	-	-	1,641
Due to other funds	-	-	274	274
Funds held in trust	-	-	3,732	3,732
Total liabilities	1,641	36,028	4,006	41,675
Fund balances:				
Restricted	-	-	55,221	55,221
Assigned	41,920	209,582	-	251,502
Total fund balances	41,920	209,582	55,221	306,723
Total liabilities and fund balances	\$ 43,561	\$ 245,610	\$ 59,227	\$ 348,398

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	Sanitation Fund			Volunteer Fire Department Fund			Drug Fund			Total Nonmajor Governmental Funds		
	2016 Original Budget	2016 Final Budget	2016 Actual	2016 Original Budget	2016 Final Budget	2016 Actual	2016 Original Budget	2016 Final Budget	2016 Actual	2016 Original Budget	2016 Final Budget	2016 Actual
Revenues:												
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ 55,000	\$ 76,147	\$ 76,990	\$ -	\$ -	\$ -	\$ 55,000	\$ 76,147	\$ 76,990
Charges for services	108,000	108,000	115,789	2,475	2,475	600	-	-	-	110,475	110,475	116,389
Interest earnings	-	-	-	75	75	101	-	-	-	75	75	101
Fines, forfeits and penalties	-	-	-	-	-	-	-	-	25,459	-	-	25,459
Contributions and donations	-	-	-	25,750	96,862	102,361	-	-	-	25,750	96,862	102,361
Sale of seized equipment	-	-	-	-	-	-	-	-	15,587	-	-	15,587
Other revenue	-	-	1,283	19,200	30,098	29,437	-	-	-	19,200	30,098	30,720
Total revenues	108,000	108,000	117,072	102,500	205,657	209,489	-	-	41,046	210,500	313,657	367,607
Expenditures:												
Personal services	104,234	104,234	83,297	85,045	89,895	86,434	-	-	-	189,279	194,129	169,731
Contractual services	17,400	17,400	21,987	50,300	69,810	64,539	150	150	100	67,850	87,360	86,626
Supplies	26,300	26,300	29,841	51,950	79,600	71,439	5,150	5,150	6,514	83,400	111,050	107,794
Fixed charges	5,508	5,508	4,489	14,704	14,704	16,253	-	-	-	20,212	20,212	20,742
Other expenditures	-	-	1,446	-	-	-	-	-	-	-	-	1,446
Capital outlay	-	-	-	5,000	169,147	136,526	10,200	10,200	2,724	15,200	179,347	139,250
Debt service	-	-	-	37,578	41,743	41,925	-	-	-	37,578	41,743	41,925
Total expenditures	153,442	153,442	141,060	244,577	464,899	417,116	15,500	15,500	9,338	413,519	633,841	567,514
Revenues over (under) expenditures	(45,442)	(45,442)	(23,988)	(142,077)	(259,242)	(207,627)	(15,500)	(15,500)	31,708	(203,019)	(320,184)	(199,907)
Other financing sources (uses):												
Interfund transfers - in (out)	45,442	45,442	22,023	142,077	259,242	259,242	-	-	-	187,519	304,684	281,265
Total other financing sources (uses)	45,442	45,442	22,023	142,077	259,242	259,242	-	-	-	187,519	304,684	281,265
Net changes in fund balances	-	-	(1,965)	-	-	51,615	(15,500)	(15,500)	31,708	(15,500)	(15,500)	81,358
Fund balance, beginning	43,885	43,885	43,885	157,967	157,967	157,967	23,513	23,513	23,513	225,365	225,365	225,365
Fund balance, ending	\$ 43,885	\$ 43,885	\$ 41,920	\$ 157,967	\$ 157,967	\$ 209,582	\$ 8,013	\$ 8,013	\$ 55,221	\$ 209,865	\$ 209,865	\$ 306,723

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE

Schedule of Long-Term Principal and Interest Requirements by Issue
Governmental Activities

June 30, 2016

Year Ending June 30,	Fixed Rate \$2,040,000 General Obligation Bonds 2.00% to 4.00%		Fixed Rate \$100,000 Capital Outlay Note 2.47%		Fixed Rate \$140,000 Capital Outlay Note 2.16%		Fixed Rate \$300,000 Capital Outlay Note 2.15%		Capital Lease Obligation 4.00%	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2017	\$ 90,000	\$ 59,438	\$ 20,000	\$ 1,013	\$ 29,000	\$ 1,253	\$ 59,000	\$ 5,246	\$ 2,695
2018	90,000	57,637	21,000	518	29,000	626	60,000	3,978	-	-
2019	95,000	55,388	-	-	-	-	62,000	2,686	-	-
2020	100,000	53,012	-	-	-	-	63,000	1,355	-	-
2021	100,000	50,013	-	-	-	-	-	-	-	-
2022	105,000	47,012	-	-	-	-	-	-	-	-
2023	110,000	43,600	-	-	-	-	-	-	-	-
2024	115,000	40,025	-	-	-	-	-	-	-	-
2025	120,000	36,000	-	-	-	-	-	-	-	-
2026	120,000	31,800	-	-	-	-	-	-	-	-
2027	125,000	27,000	-	-	-	-	-	-	-	-
2028	130,000	22,000	-	-	-	-	-	-	-	-
2029	135,000	16,800	-	-	-	-	-	-	-	-
2030	140,000	11,400	-	-	-	-	-	-	-	-
2031	145,000	5,800	-	-	-	-	-	-	-	-
	<u>\$ 1,720,000</u>	<u>\$ 556,925</u>	<u>\$ 41,000</u>	<u>\$ 1,531</u>	<u>\$ 58,000</u>	<u>\$ 1,879</u>	<u>\$ 244,000</u>	<u>\$ 13,265</u>	<u>\$ 2,695</u>	<u>\$ 54</u>

(Continued)

TOWN OF DANDRIDGE, TENNESSEE

Schedule of Long-Term Principal and Interest Requirements by Issue
Governmental Activities
(Continued)

June 30, 2016

Year Ending June 30,	Capital Lease Obligation 4.206%		Capital Lease Obligation 4.95%		Capital Lease Obligation 5.075%		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 18,608	\$ 2,448	\$ 32,376	\$ 3,284	\$ 1,328	\$ 138	\$ 253,007	\$ 72,874
2018	19,391	1,666	33,979	1,682	1,397	69	254,767	66,176
2019	20,208	850	-	-	603	8	177,811	58,932
2020	-	-	-	-	-	-	163,000	54,367
2021	-	-	-	-	-	-	100,000	50,013
2022	-	-	-	-	-	-	105,000	47,012
2023	-	-	-	-	-	-	110,000	43,600
2024	-	-	-	-	-	-	115,000	40,025
2025	-	-	-	-	-	-	120,000	36,000
2026	-	-	-	-	-	-	120,000	31,800
2027	-	-	-	-	-	-	125,000	27,000
2028	-	-	-	-	-	-	130,000	22,000
2029	-	-	-	-	-	-	135,000	16,800
2030	-	-	-	-	-	-	140,000	11,400
2031	-	-	-	-	-	-	145,000	5,800
	<u>\$ 58,207</u>	<u>\$ 4,964</u>	<u>\$ 66,355</u>	<u>\$ 4,966</u>	<u>\$ 3,328</u>	<u>\$ 215</u>	<u>\$ 2,193,585</u>	<u>\$ 583,799</u>

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE

Schedule of Long-Term Principal and Interest Requirements by Issue
Business-Type Activities

June 30, 2016

Year Ending June 30,	Water and Sewer Revenue and Tax Refunding Bond, Series 2014, 2.29% Fixed Rate		\$200,000 Capital Outlay Note 2.15% Fixed Rate		Note Payable to General Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2017	\$ 144,200	\$ 102,470	\$ 40,000	\$ 3,504	\$ 6,334	\$ -	\$ 190,534
2018	147,600	99,129	40,000	2,644	6,334	-	193,934	101,773
2019	150,900	95,711	41,000	1,785	6,334	-	198,234	97,496
2020	154,400	92,216	42,000	903	6,334	-	202,734	93,119
2021	157,900	88,640	-	-	6,334	-	164,234	88,640
2022	161,500	84,983	-	-	6,334	-	167,834	84,983
2023	165,200	81,242	-	-	6,334	-	171,534	81,242
2024	169,000	77,415	-	-	6,334	-	175,334	77,415
2025	172,900	73,501	-	-	6,334	-	179,234	73,501
2026	176,800	69,497	-	-	6,334	-	183,134	69,497
2027	180,900	65,401	-	-	6,334	-	187,234	65,401
2028	185,000	61,212	-	-	6,334	-	191,334	61,212
2029	189,300	56,926	-	-	6,334	-	195,634	56,926
2030	193,600	52,541	-	-	6,334	-	199,934	52,541
2031	198,000	48,058	-	-	6,334	-	204,334	48,058
Thereafter	1,999,600	212,972	-	-	97,747	-	2,097,347	212,972
	<u>\$ 4,546,800</u>	<u>\$ 1,361,914</u>	<u>\$ 163,000</u>	<u>\$ 8,836</u>	<u>\$ 192,757</u>	<u>\$ -</u>	<u>\$ 4,902,557</u>	<u>\$ 1,370,750</u>

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE

Schedule of Utility Plant, Property and Equipment,
and Accumulated Depreciation

June 30, 2016

	Utility Plant, Property, and Equipment				Accumulated Depreciation			Net Plant
	Balance	Additions	Retirements	Balance	Balance	Expense	Balance	
	July 1, 2015			June 30, 2016	July 1, 2015		June 30, 2016	
Water system:								
Land and easements	\$ 8,900	\$ -	\$ -	\$ 8,900	\$ -	\$ -	\$ -	\$ 8,900
Buildings	126,189	-	-	126,189	88,938	3,451	92,389	33,800
Lines and tanks	6,268,262	2,038,060	-	8,306,322	1,961,752	160,073	2,121,825	6,184,497
Equipment	697,700	56,382	-	754,082	398,993	42,508	441,501	312,581
Vehicles	113,552	-	-	113,552	106,984	2,627	109,611	3,941
Furniture and fixtures	27,932	-	-	27,932	25,439	1,206	26,645	1,287
Total water system	7,242,535	2,094,442	-	9,336,977	2,582,106	209,865	2,791,971	6,545,006
Sewer system:								
Buildings	592,591	-	-	592,591	58,004	15,390	73,394	519,197
Lines and tanks	5,179,047	446,372	-	5,625,419	1,907,727	118,758	2,026,485	3,598,934
Equipment	1,972,759	36,305	-	2,009,064	358,046	62,716	420,762	1,588,302
Vehicles	190,475	-	-	190,475	119,989	15,628	135,617	54,858
Furniture and fixtures	89,894	-	-	89,894	23,962	6,372	30,334	59,560
Total sewer system	8,024,766	482,677	-	8,507,443	2,467,728	218,864	2,686,592	5,820,851
Total plant in service	15,267,301	2,577,119	-	17,844,420	5,049,834	428,729	5,478,563	12,365,857
Construction work in progress	1,256,591	(1,198,848)	-	57,743	-	-	-	57,743
Total plant	\$ 16,523,892	\$ 1,378,271	\$ -	\$ 17,902,163	\$ 5,049,834	\$ 428,729	\$ 5,478,563	\$ 12,423,600

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE
 Schedule of Changes in Property Taxes Receivable
 For the Fiscal Year Ended June 30, 2016

Tax Year	Balance July 1, 2015	Current Assessment	Abatements and Adjustments	Collections	Balance June 30, 2016
2015	\$ -	\$ 1,025,973	\$ (2,968)	\$ 948,416	\$ 74,589
2014	109,579	-	(404)	98,595	10,580
2013	32,131	-	-	21,824	10,307
2012	9,816	-	-	1,747	8,069
2011	7,657	-	-	2,558	5,099
2010	5,490	-	-	523	4,967
2009	6,461	-	-	997	5,464
2008	3,073	-	-	636	2,437
2007	2,011	-	-	-	2,011
2006	662	-	-	-	662
2005	188	-	-	-	188
2004	473	-	-	-	473
2003	1,069	-	-	-	1,069
Total	\$ 178,610	\$ 1,025,973	\$ (3,372)	\$ 1,075,296	125,915
January 1, 2016 property tax assessment not to be billed until October 1, 2016					<u>1,032,000</u>
					<u>\$ 1,157,915</u>

NOTE: All outstanding delinquent property taxes for years 2003 - 2014
 have been filed in Chancery Court.

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE

Analysis of Tax Rates and Assessments

June 30, 2016

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Tax Rate Per \$100</u>	<u>Total Tax Levy</u>	<u>Total Tax Collections</u>	<u>Total Collections as a Percent of Total Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes Filed in Chancery Court</u>
2005	\$ 61,475,166	\$ 1.00	\$ 614,752	\$ 614,564	99.97%	\$ 188	\$ 188
2006	67,375,860	1.00	726,001	725,339	99.91%	662	662
2007	71,599,900	1.00	761,918	759,907	99.74%	2,011	2,011
2008	75,670,000	1.00	804,238	801,801	99.70%	2,437	2,437
2009	81,321,960	1.00	813,220	807,756	99.33%	5,464	5,464
2010	93,988,111	0.8469	831,974	827,007	99.40%	4,967	4,967
2011	93,234,121	0.8969	881,270	876,171	99.42%	5,099	5,099
2012	94,535,033	0.9400	942,673	934,604	99.14%	8,069	8,069
2013	99,399,194	0.9400	940,996	930,689	98.90%	10,307	10,307
2014	99,975,151	0.9890	993,736	983,156	98.94%	10,580	10,580
2015	102,712,844	0.9990	1,023,005	948,416	92.71%	74,589	-

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE
Utility Rate Structure and Number of Customers
June 30, 2016

WATER RATES	<u>Inside Town</u>	<u>Outside Town</u>	<u>E-One</u>
Residential:			
First 2,000 gallons (minimum billing)	\$16.11	\$24.11	N/A
Over 2,000 gallons (per 1,000 gallons)	2.99	5.87	N/A
Commercial:			
First 2,000 gallons (minimum billing)	20.96	31.71	N/A
Over 2,000 gallons (per 1,000 gallons)	3.73	7.32	N/A
Heavy commercial and industrial:			
First 2,000 gallons (minimum billing)	32.26	49.44	N/A
Over 2,000 gallons (per 1,000 gallons)	3.95	7.74	N/A
Swannsylvania:			
First 2,000 gallons (minimum billing)	N/A	33.01	N/A
Over 2,000 gallons (per 1,000 gallons)	N/A	5.08	N/A
SEWER RATES			
Residential (Inside Town):			
First 2,000 gallons (minimum billing)	16.09	N/A	\$17.69
Over 2,000 gallons (per 1,000 gallons)	4.11	N/A	4.52
Residential (Outside Town):			
First 2,000 gallons (minimum billing)	N/A	24.62	27.09
Over 2,000 gallons (per 1,000 gallons)	N/A	8.85	9.73
Commercial (Inside Town):			
First 2,000 gallons (minimum billing)	21.41	N/A	23.55
Over 2,000 gallons (per 1,000 gallons)	4.97	N/A	5.46
Commercial (Outside Town):			
First 2,000 gallons (minimum billing)	N/A	33.00	36.30
Over 2,000 gallons (per 1,000 gallons)	N/A	10.66	11.73
Heavy commercial and industrial (Inside Town):			
First 2,000 gallons (minimum billing)	33.83	N/A	37.21
Over 2,000 gallons (per 1,000 gallons)	4.97	N/A	5.46
Heavy commercial and industrial (Outside Town):			
First 2,000 gallons (minimum billing)	N/A	52.50	57.75
Over 2,000 gallons (per 1,000 gallons)	N/A	10.66	11.73
NUMBER OF METERED CUSTOMERS			
Water		3,147	
Sewer		1,390	

See independent auditor's report.

OTHER STATISTICAL SCHEDULES
(Unaudited)

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: **Dandridge Water Management Facility (0000170)**
Reporting Year: **FY2016** 7/2015 - 6/2016

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: **1000 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:	+ ?	n/a	0.000	MG/Yr
Water imported:	+ ?	8	241.093	MG/Yr
Water exported:	+ ?	n/a	0.000	MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	Value:	MG/Yr
6	-1.05%	

WATER SUPPLIED: **243.651** MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered:	+ ?	8	184.741	MG/Yr
Billed unmetered:	+ ?	10	0.000	MG/Yr
Unbilled metered:	+ ?	10	0.147	MG/Yr
Unbilled unmetered:	+ ?		3.046	MG/Yr

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

AUTHORIZED CONSUMPTION: **187.934** MG/Yr

Click here: ? for help using option buttons below

Pcnt: 1.25% Value: MG/Yr

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

55.718 MG/Yr

Apparent Losses

Unauthorized consumption:	+ ?		0.609	MG/Yr
Customer metering inaccuracies:	+ ?	6	0.000	MG/Yr
Systematic data handling errors:	+ ?	6	0.382	MG/Yr

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

Apparent Losses: **0.991** MG/Yr

Pcnt: 0.25% Value: MG/Yr

MG/Yr 0.382 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **54.727** MG/Yr Use Customer Retail Unit Cost to:

WATER LOSSES: **55.718** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **58.910** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ?	8	136.1	miles
Number of <u>active AND inactive</u> service connections:	+ ?	7	3,614	
Service connection density:	?		27	conn./mile main

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

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

Average operating pressure: + ? 3 98.0 psi

COST DATA

Total annual cost of operating water system:	+ ?	10	\$1,182,705	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ?	9	\$6.47	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ?	10	\$1,780.00	\$/Million gallons

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 80 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: Water imported
- 2: Customer metering inaccuracies
- 3: Unauthorized consumption



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.

Water Audit Report for: Dandridge Water Management Facility (0000170)
 Reporting Year: FY2016 7/2015 - 6/2016

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 80 out of 100 ***

System Attributes:

Apparent Losses:	0.991	MG/Yr
+ Real Losses:	54.727	MG/Yr
= Water Losses:	55.718	MG/Yr

? Unavoidable Annual Real Losses (UARL): 45.73 MG/Yr

Annual cost of Apparent Losses: \$6,413

Annual cost of Real Losses: \$97,413 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: 24.2%
 Non-revenue water as percent by cost of operating system: 9.3% Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: 0.75 gallons/connection/day
 Real Losses per service connection per day: N/A gallons/connection/day
 Real Losses per length of main per day*: 1,101.66 gallons/mile/day
 Real Losses per service connection per day per psi pressure: N/A gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 54.73 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 1.20

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

TOWN OF DANDRIDGE, TENNESSEE

Miscellaneous Statistical Data

June 30, 2016

Incorporated	1915
Form of government	Mayor - Aldermen
Area in square miles	5.76
Police protection:	
Number of stations	1
Number of full-time employees	11
Fire protection:	
Number of stations	2
Number of employees	0
Number of volunteers	33
Total number of public safety employees (full-time)	11
Municipal water plant:	
Average daily consumption in gallons	650,000
Maximum storage capacity in gallons	2,012,000
Paved streets (per lane mile)	90
Water lines (miles)	145
Sanitary sewer (miles)	55

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

BROWN JAKE & McDANIEL, PC

CERTIFIED PUBLIC ACCOUNTANTS
 2607 KINGSTON PIKE, SUITE 110
 KNOXVILLE, TENNESSEE 37919-3336
 865/637-8600 • fax: 865/637-8601
 www.bjmpc.com

JOE L. BROWN, CPA, CGFM, CGMA
 FRANK D. McDANIEL, CPA, CGFM, CGMA
 TERRY L. MOATS, CPA, CGFM, CGMA
 JAMES E. BOOHER, CPA, CGMA

MEMBERS
 AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

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*

Board of Mayor and Aldermen
 Town of Dandridge, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dandridge, Tennessee (the Town) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Dandridge, Tennessee's basic financial statements and have issued our report thereon dated February 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Dandridge, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of

laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads "Brown Lake & McDaniel, PC". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee
February 24, 2017

TOWN OF DANDRIDGE, TENNESSEE
Summary Schedule of Prior Audit Findings

There were no prior year findings.