

CITY OF SODDY-DAISY, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

I. INTRODUCTORY SECTION

CITY OF SODDY-DAISY, TENNESSEE
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June 30, 2010

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CITY OF SODDY-DAISY, TENNESSEE
City Officials
June 30, 2010

City Mayor Gene Shipley

Commissioner (Vice Mayor)..... Bob Privett

CommissionerShane Harmon

Commissioner David Skiles

CommissionerJim Adams

City Manager.....Hardie Stulce

City RecorderSara Burris

II. FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Mayor and Commissioners
City of Soddy-Daisy, Tennessee
Soddy-Daisy, Tennessee

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the City of Soddy-Daisy, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Soddy-Daisy, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 major fund, and the aggregate remaining fund information of the City of Soddy-Daisy, Tennessee, as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2010, on our consideration of the City of Soddy-Daisy, Tennessee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayor and Commissioners
City of Soddy-Daisy, Tennessee
Page Two

The Management's Discussion and Analysis on pages 3 through 12 and the Required Supplementary Information on page 38 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Soddy-Daisy, Tennessee's basic financial statements. The Introductory Section, Non-major Governmental Fund financial statements, and the Supplemental Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and Supplemental Information section have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Johnson, Murphey & Wright, P.C.

Chattanooga, Tennessee
December 7, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Soddy-Daisy, Tennessee, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Soddy-Daisy, Tennessee for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

The assets of the City of Soddy-Daisy, Tennessee exceeded its liabilities at June 30, 2010, by \$3,877,450 (net assets). Of this amount \$1,629,254 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's governmental activities operated at a deficit of \$(369,990).

As of the close of the current fiscal year, the City of Soddy-Daisy, Tennessee's governmental funds reported combined ending fund balances of \$2,085,135. None is reserved for specific purposes. The remaining 100%, or \$2,085,135, is available for spending at the City's discretion (unreserved fund balance).

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,989,558, or 36.52%, of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction of the City of Soddy-Daisy, Tennessee's basic financial statements. The City of Soddy-Daisy, Tennessee's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements, and (3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the City of Soddy-Daisy, Tennessee's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City of Soddy-Daisy, Tennessee that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Soddy-Daisy, Tennessee include general government, public safety, public works, state street aid, and public welfare and recreation. The City of Soddy-Daisy, Tennessee has no business-type activities.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Soddy-Daisy, Tennessee, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Soddy-Daisy, Tennessee are governmental funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

The City of Soddy-Daisy, Tennessee maintains three individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, which is considered to be the major fund. Data from the other two non-major governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements later in this report beginning on page 40.

The City of Soddy-Daisy, Tennessee adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major governmental funds, which is the General Fund, to demonstrate compliance with this budget, as well as for the non-major funds.

The basic governmental fund financial statements can be found on pages 15 through 23 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 24 through 37 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Soddy-Daisy, Tennessee, assets exceeded liabilities by \$3,877,450 at the close of this fiscal year.

The largest portion of the City of Soddy-Daisy, Tennessee's net assets (54.59 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, and public improvements), less any debt used to acquire those assets that is still outstanding. The City of Soddy-Daisy, Tennessee uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Soddy-Daisy, Tennessee's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 3.39%, or \$131,566, of the City of Soddy-Daisy, Tennessee's net assets represents resources that are subject to external restrictions on how they may be used. The remaining \$1,629,254 of unrestricted net assets may be used to meet the government's ongoing obligations to its citizens and creditors.

At June 30, 2010, the City of Soddy-Daisy, Tennessee is able to report positive balances in all three categories of net assets.

The table below provides a summary of the City's net assets.

City of Soddy-Daisy, Tennessee's Net Assets

	Governmental Activities	
	2010	2009
Current and other assets	\$ 3,921,552	\$ 4,480,751
Capital assets	<u>2,116,630</u>	<u>2,256,667</u>
Total assets	<u>\$ 6,038,182</u>	<u>\$ 6,737,418</u>
Long-term liabilities	\$ 432,675	\$ 759,355
Other liabilities	<u>1,728,057</u>	<u>1,730,623</u>
Total liabilities	<u>\$ 2,160,732</u>	<u>\$ 2,489,978</u>
Net assets:		
Invested in capital assets - net of related debt	\$ 2,116,630	\$ 2,256,667
Restricted	131,566	143,986
Unrestricted	<u>1,629,254</u>	<u>1,846,787</u>
Total net assets	<u>\$ 3,877,450</u>	<u>\$ 4,247,440</u>

Change in Net Assets

Governmental activities decreased the City of Soddy-Daisy, Tennessee's net assets by \$(369,990).

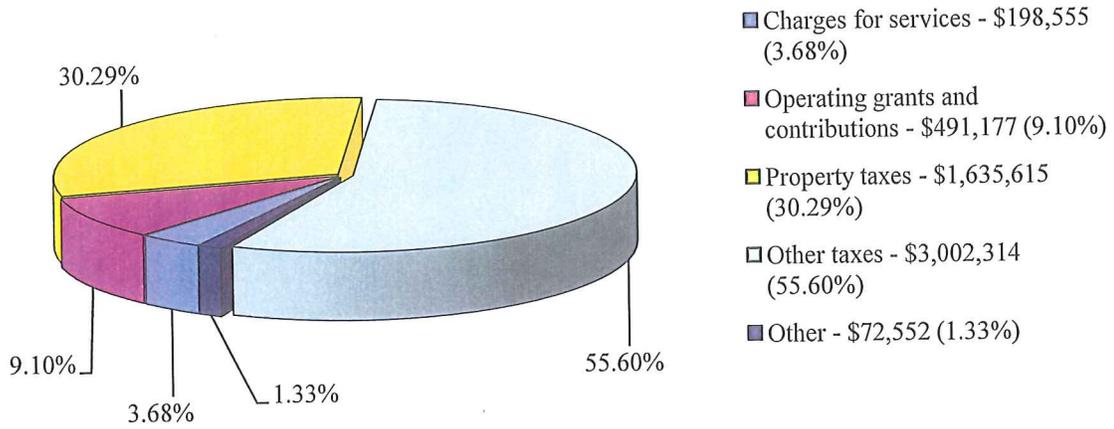
The table below provides a summary of the City's net assets.

City of Soddy-Daisy, Tennessee's Changes in Net Assets

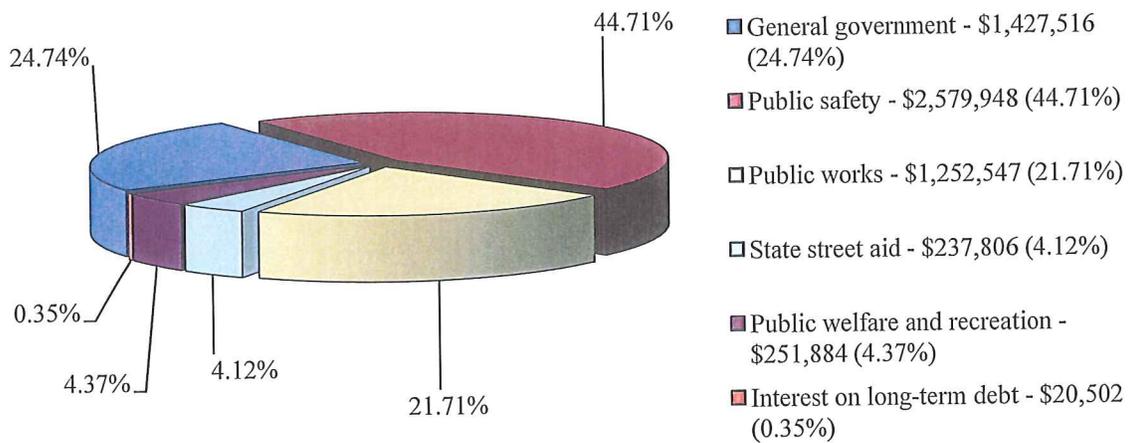
	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Revenues:		
Program revenues:		
Charges for services	\$ 198,555	\$ 280,194
Operating grants and Contributions	491,177	361,022
Capital grants and Contributions	-	6,485
General revenues:		
Property taxes	1,635,615	1,553,184
Other taxes	3,002,314	3,159,496
Other	<u>72,552</u>	<u>405,367</u>
Total revenues	<u>5,400,213</u>	<u>5,765,748</u>
Expenses:		
General government	1,427,516	1,416,381
Public safety	2,579,948	2,514,293
Public works	1,252,547	1,328,380
State street aid	237,806	324,466
Public welfare and recreation	251,884	144,153
Interest on long-term debt	<u>20,502</u>	<u>32,883</u>
Total expenses	<u>5,770,203</u>	<u>5,760,556</u>
Change in net assets	(369,990)	5,192
Net assets - beginning	<u>4,247,440</u>	<u>4,242,248</u>
Net assets - end	<u>\$ 3,877,450</u>	<u>\$ 4,247,440</u>

The graphs below summarize the \$5,400,213 of City-wide revenues by source and the associated \$5,770,203 of expense by program.

City-Wide Sources of Revenue

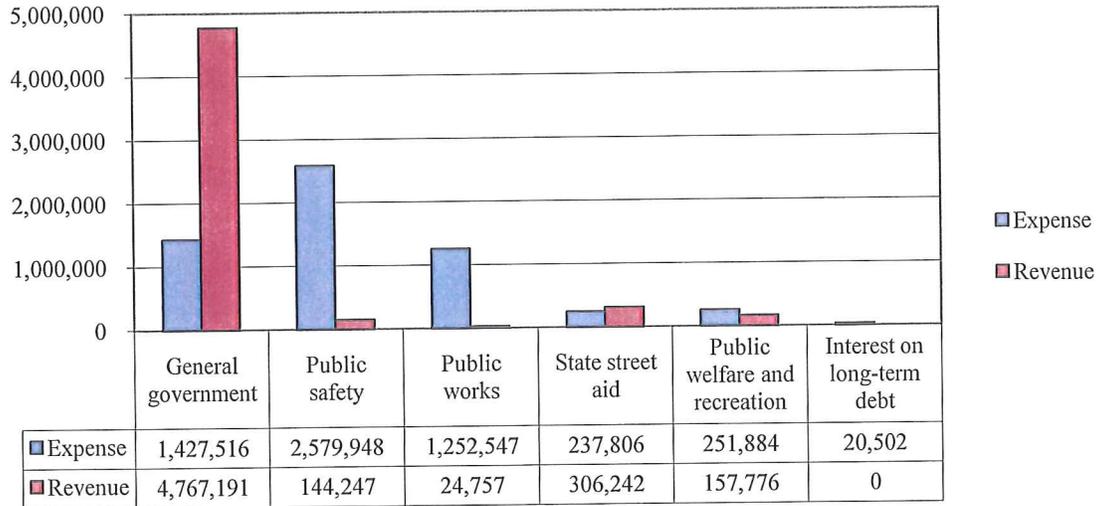


City-Wide Program Expenses



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

Expenses and Program Revenues -
Governmental Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City of Soddy-Daisy, Tennessee's governmental funds reported combined ending fund balances of \$2,085,135. 100% of this total amount, \$2,085,135, constitutes unreserved fund balance. None is reserved to indicate that it is not available for spending because it has already been committed. Within the governmental funds \$0 is reserved for state street aid in the General Fund. The fund balances of the Drug Fund and Solid Waste Fund are reserved due to their classification, although they appear as unreserved on the combined Balance Sheet.

The General Fund is the chief operating fund of the City of Soddy-Daisy, Tennessee. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,989,558. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total General Fund expenditures. Unreserved fund balance represents 36.52% of total fund expenditures.

General Fund Budgetary Highlights

The City of Soddy-Daisy, Tennessee had no amendments to their original budget. This demonstrates responsible and accurate budget policies and procedures for the City's officials.

Departmental budget officers closely monitored expenditures during the fiscal year in order to minimize budget amendments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Soddy-Daisy, Tennessee's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$2,116,630 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and public improvements.

Some of the major capital asset events during the current fiscal year include the following:

Governmental Activities

Land for General Government for \$63,000.

Two 2010 Chevrolet Impalas for Police Department for \$49,588.

1997 Ford 800 for Public Works Department for \$20,000.

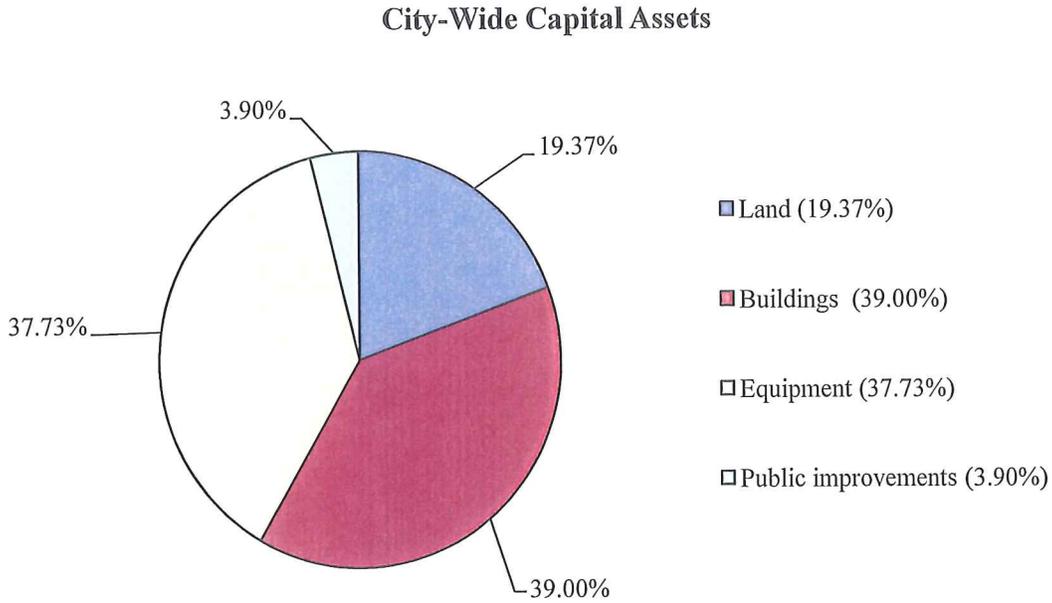
Senior Center for Public Welfare and Recreation Department for \$17,553.

Audio recorder for Police Department for \$14,538.

City of Soddy-Daisy, Tennessee's Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 409,970	\$ 346,970
Buildings	825,403	841,574
Equipment	798,605	969,495
Public improvements	<u>82,652</u>	<u>98,628</u>
	<u>\$ 2,116,630</u>	<u>\$ 2,256,667</u>

The following graph provides a breakdown of which assets make up the largest portion of the City's total investment in capital assets.



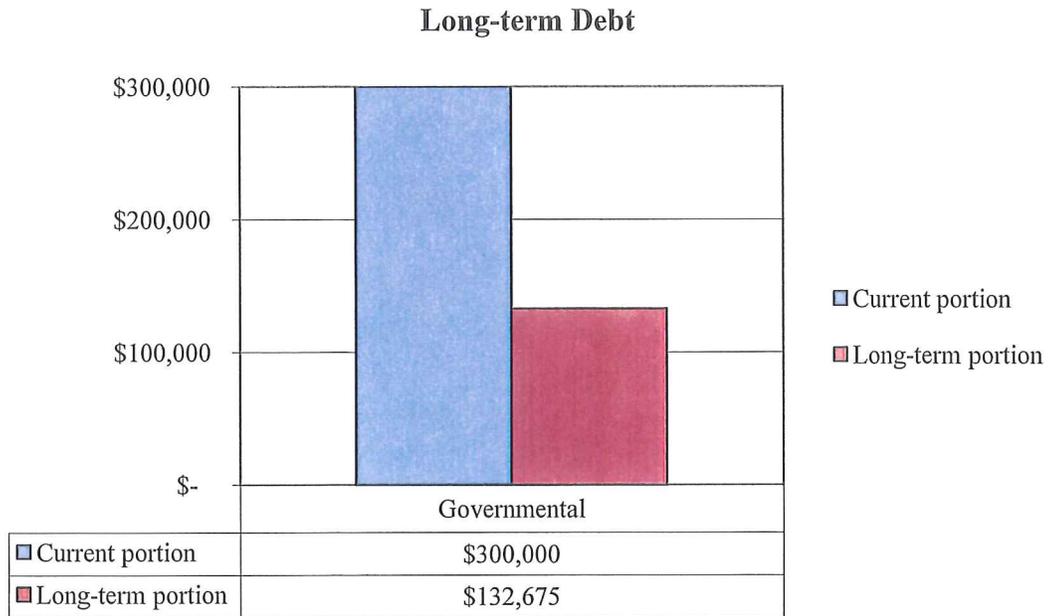
Additional information on the City of Soddy-Daisy, Tennessee's capital assets can be found in Note 7 on page 31 of this report.

City Of Soddy-Daisy, Tennessee's Outstanding Debt

At the end of the current fiscal year, the City of Soddy-Daisy, Tennessee had total long-term debt outstanding of \$432,675. Of that amount, \$132,675 is due in the next fiscal year.

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Capital Outlay Note - Series 2006	\$ 300,000	\$ 600,000
Compensated absences	<u>132,675</u>	<u>159,355</u>
	432,675	759,355
Less current portion	<u>(300,000)</u>	<u>(300,000)</u>
Long-term debt	<u>\$ 132,675</u>	<u>\$ 459,355</u>

The graph below shows debt for governmental activities broken down into current and long-term portions.



Additional information on outstanding debt can be found in Note 9 on page 32.

Currently Known Conditions Effecting Future Years

With the downturn of the national economy, the City experienced a drop in revenue from the previous year. However, local sales tax remained steady and is expected to continue the next fiscal year. There are various commercial sites available around the City, hopefully these properties will develop and broaden the City's tax base.

However, demands on the police department due to an increase in population as well as other factors require more funds to handle the additional call volume on a daily basis. Our city court system continues to generate a negative fund balance and must be tax subsidized to maintain its present level of service.

The fire department continues to provide service with an all volunteer staff. Recruitment and retention of suitable personnel continues to be very difficult and expensive considering the ever increasing state and federal mandates placed on the fire department in general.

The City's infrastructure continues to deteriorate although we have an excellent staff. Available funds are never adequate to do much more than "patch-a-patch." Examples: city hall, parks and recreation centers, fire stations, traffic signals, paving, guardrails, vehicles for police and general government, heavy equipment for public works and apparatus for the fire department.

In my opinion as City Manager the needs of the City along with the wants of the general public coupled with the desires and vision of the elected officials far exceeds our present tax structure both residential and commercial.

Requests for Information

This financial report is designed to provide a general overview of the City of Soddy-Daisy, Tennessee's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information may be addressed to the City of Soddy-Daisy, Tennessee, 9835 Dayton Pike, Soddy-Daisy, TN 37379.

BASIC FINANCIAL STATEMENTS

CITY OF SODDY-DAISY, TENNESSEE
Statement of Net Assets
June 30, 2010

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash	\$ 973,262
Investments	674,342
Property tax receivable - net	1,752,889
Accounts receivable - net	32,376
Grants receivable	1,062
Due from other governments	487,621
Capital assets:	
Land	409,970
Other capital assets - net of accumulated depreciation	<u>1,706,660</u>
TOTAL ASSETS	<u>\$ 6,038,182</u>
LIABILITIES	
Accounts payable	\$ 57,963
Accrued liabilities	51,094
Deferred revenue - other	2,000
Deferred revenue - property taxes	1,617,000
Non-current liabilities:	
Due within one year	300,000
Compensated absences	<u>132,675</u>
TOTAL LIABILITIES	<u>\$ 2,160,732</u>
NET ASSETS	
Invested in capital assets - net of related debt	\$ 2,116,630
Restricted for:	
Non-recurring police expenditures	131,566
Unrestricted	<u>1,629,254</u>
TOTAL NET ASSETS	<u>\$ 3,877,450</u>

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

CITY OF SODDY-DAISY, TENNESSEE
Statement of Activities
Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>Primary Governmental</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>and Contributions</u>	<u>Primary Governmental</u>	<u>Governmental Activities</u>
Governmental activities:					
General government	\$ 1,427,516	\$ 54,308	\$ 2,402	\$ -	\$ (1,370,806)
Public safety	2,579,948	144,247	-	-	(2,435,701)
Public works	1,252,547	-	24,757	-	(1,227,790)
State street aid	237,806	-	306,242	-	68,436
Public welfare and recreation	251,884	-	157,776	-	(94,108)
Interest on long-term debt	20,502	-	-	-	(20,502)
Total governmental activities	<u>\$ 5,770,203</u>	<u>\$ 198,555</u>	<u>\$ 491,177</u>	<u>\$ -</u>	<u>(5,080,471)</u>
		General Revenues:			
		Property tax			1,635,615
		Local sales tax			1,500,034
		Other state taxes			901,540
		Wholesale beer tax			324,916
		Privilege tax			140,843
		Cable TV franchise tax			134,981
		Sale of assets			1,697
		Interest revenue			48,286
		Other revenues			22,569
		Total general revenues			<u>4,710,481</u>
		Change in net assets			<u>(369,990)</u>
		Net assets - beginning			<u>4,247,440</u>
		Net assets - end			<u>\$ 3,877,450</u>

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

CITY OF SODDY-DAISY, TENNESSEE
Governmental Funds
Balance Sheet
June 30, 2010

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 837,979	\$ 135,283	\$ 973,262
Investments	674,342	-	674,342
Property taxes receivable - net	1,752,889	-	1,752,889
Accounts receivable - net	32,376	-	32,376
Grants receivable	1,062	-	1,062
Due from other governments	<u>487,621</u>	<u>-</u>	<u>487,621</u>
TOTAL ASSETS	<u>\$ 3,786,269</u>	<u>\$ 135,283</u>	<u>\$ 3,921,552</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 18,257	\$ 39,706	\$ 57,963
Accrued liabilities	51,094	-	51,094
Deferred revenue - other	2,000	-	2,000
Deferred revenue - property taxes	<u>1,725,360</u>	<u>-</u>	<u>1,725,360</u>
Total liabilities	<u>1,796,711</u>	<u>39,706</u>	<u>1,836,417</u>
 Fund Balances			
Unreserved, reported in:			
General fund	1,989,558	-	1,989,558
Special revenue funds	<u>-</u>	<u>95,577</u>	<u>95,577</u>
Total fund balances	<u>1,989,558</u>	<u>95,577</u>	<u>2,085,135</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,786,269</u>	<u>\$ 135,283</u>	<u>\$ 3,921,552</u>

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

CITY OF SODDY-DAISY, TENNESSEE
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2010

Total fund balances per governmental funds Balance Sheet	\$ 2,085,135
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,116,630
Long-term liabilities, including notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(432,675)
Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	<u>108,360</u>
Net assets of governmental activities	<u>\$ 3,877,450</u>

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

CITY OF SODDY-DAISY, TENNESSEE
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2010

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 3,708,597	\$ -	\$ 3,708,597
Licenses and permits	54,308	-	54,308
Intergovernmental	1,392,717	-	1,392,717
Fines and forfeitures	119,428	24,890	144,318
Other revenues	<u>69,852</u>	<u>2,629</u>	<u>72,481</u>
TOTAL REVENUES	<u>5,344,902</u>	<u>27,519</u>	<u>5,372,421</u>
EXPENDITURES			
Current Expenditures			
General government	1,457,886	-	1,457,886
Public safety	2,224,095	24,049	2,248,144
Public works	763,367	476,474	1,239,841
State street aid	237,806	-	237,806
Public welfare and recreation	107,350	-	107,350
Capital outlay	336,936	8,381	345,317
Debt service	<u>320,502</u>	<u>-</u>	<u>320,502</u>
TOTAL EXPENDITURES	<u>5,447,942</u>	<u>508,904</u>	<u>5,956,846</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(103,040)</u>	<u>(481,385)</u>	<u>(584,425)</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	-	475,000	475,000
Transfer out	<u>(475,000)</u>	<u>-</u>	<u>(475,000)</u>
Total other financing sources (uses)	<u>(475,000)</u>	<u>475,000</u>	<u>-</u>
Net changes in fund balances	(578,040)	(6,385)	(584,425)
Fund balances - beginning	<u>2,567,598</u>	<u>101,962</u>	<u>2,669,560</u>
Fund balances - end	<u>\$ 1,989,558</u>	<u>\$ 95,577</u>	<u>\$ 2,085,135</u>

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

CITY OF SODDY-DAISY, TENNESSEE
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2010

Net changes in fund balances for total governmental funds	\$ (584,425)
Governmental funds report capital outlay as expenditures, however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.	(140,037)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	27,792
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	300,000
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:	
(Increase) decrease in compensated absences	<u>26,680</u>
Change in net assets of governmental activities	<u>\$ (369,990)</u>

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

CITY OF SODDY-DAISY, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Property tax	\$ 1,500,000	\$ 1,500,000	\$ 1,607,823	\$ 107,823
Local sales tax	1,550,000	1,550,000	1,500,034	(49,966)
Wholesale beer tax	310,000	310,000	308,787	(1,213)
Privilege tax	146,000	146,000	140,843	(5,157)
Mixed drink tax	20,000	20,000	16,129	(3,871)
Cable TV franchise tax	132,000	132,000	134,981	2,981
Total taxes	<u>3,658,000</u>	<u>3,658,000</u>	<u>3,708,597</u>	<u>50,597</u>
Licenses and permits				
Building permits	40,000	40,000	32,283	(7,717)
Electrical permits	14,000	14,000	7,343	(6,657)
Other permits	19,000	19,000	14,682	(4,318)
Total licenses and permits	<u>73,000</u>	<u>73,000</u>	<u>54,308</u>	<u>(18,692)</u>
Intergovernmental				
Federal and state grants	365,000	365,000	157,776	(207,224)
State shared revenue:				
Sales tax allocation	790,000	790,000	738,644	(51,356)
Income tax allocation	30,000	30,000	30,346	346
TVA in lieu of tax	107,000	107,000	126,836	19,836
Beer tax allocation	6,400	6,400	5,714	(686)
Streets and transportation funds	25,000	25,000	24,757	(243)
State gas and motor fuel tax	310,000	310,000	306,242	(3,758)
Other state and local	4,000	4,000	2,402	(1,598)
Total intergovernmental	<u>1,637,400</u>	<u>1,637,400</u>	<u>1,392,717</u>	<u>(244,683)</u>
Fines and forfeitures				
Court fines and forfeitures	103,250	103,250	119,428	16,178
Other revenues				
Sale of assets	10,000	10,000	1,697	(8,303)
Interest revenue	50,000	50,000	45,657	(4,343)
Other revenues	34,000	34,000	22,498	(11,502)
Total other revenues	<u>94,000</u>	<u>94,000</u>	<u>69,852</u>	<u>(24,148)</u>
TOTAL REVENUES	<u>5,565,650</u>	<u>5,565,650</u>	<u>5,344,902</u>	<u>(220,748)</u>
(Continued)				

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

CITY OF SODDY-DAISY, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
EXPENDITURES				
Current Expenditures				
General government				
Finance and administration				
Salaries	\$ 323,000	\$ 323,000	\$ 320,870	\$ 2,130
Payroll taxes	115,000	115,000	119,722	(4,722)
Employee benefits	82,000	82,000	86,632	(4,632)
Commissions	-	-	31,386	(31,386)
Contract services	822,550	822,550	517,534	305,016
Donations	20,000	20,000	20,000	-
Dues and subscriptions	23,000	23,000	23,756	(756)
Insurance	67,000	67,000	62,974	4,026
Supplies	43,800	43,800	45,914	(2,114)
Professional services	29,000	29,000	36,940	(7,940)
Repairs and maintenance	36,000	36,000	31,984	4,016
State business tax	125,000	125,000	32,725	92,275
Telephone	14,000	14,000	15,207	(1,207)
Training and travel	8,000	8,000	1,768	6,232
Vehicle expense	8,000	8,000	2,683	5,317
Miscellaneous	5,000	5,000	7,393	(2,393)
Total finance and administration	<u>1,721,350</u>	<u>1,721,350</u>	<u>1,357,488</u>	<u>363,862</u>
Judicial				
Salaries	18,000	18,000	17,829	171
Payroll taxes	1,500	1,500	1,411	89
Fees for officials	8,500	8,500	5,925	2,575
Professional services	20,000	20,000	19,164	836
Miscellaneous	2,000	2,000	577	1,423
Total judicial	<u>50,000</u>	<u>50,000</u>	<u>44,906</u>	<u>5,094</u>
Buildings				
Salaries	10,000	10,000	12,050	(2,050)
Payroll taxes	800	800	922	(122)
Employee benefits	1,000	1,000	1,489	(489)
Repairs and maintenance	34,000	34,000	10,640	23,360
Supplies and uniforms	10,000	10,000	6,212	3,788
Telephone and utilities	30,100	30,100	24,179	5,921
Miscellaneous	1,000	1,000	-	1,000
Total buildings	<u>86,900</u>	<u>86,900</u>	<u>55,492</u>	<u>31,408</u>
Total general government	<u>1,858,250</u>	<u>1,858,250</u>	<u>1,457,886</u>	<u>400,364</u>

(Continued)

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

CITY OF SODDY-DAISY, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public safety				
Police department				
Salaries	\$ 1,424,000	\$ 1,424,000	\$ 1,366,871	\$ 57,129
Payroll taxes	109,000	109,000	104,315	4,685
Employee benefits	383,000	383,000	352,275	30,725
Dues and subscriptions	2,500	2,500	2,102	398
Repairs and maintenance	37,000	37,000	34,244	2,756
Supplies and uniforms	55,000	55,000	53,152	1,848
Telephone and utilities	29,000	29,000	26,587	2,413
Training and travel	18,000	18,000	14,296	3,704
Vehicle expense	130,500	130,500	103,808	26,692
Miscellaneous	4,500	4,500	5,908	(1,408)
Total police department	<u>2,192,500</u>	<u>2,192,500</u>	<u>2,063,558</u>	<u>128,942</u>
Fire department				
Volunteer stipend	40,000	40,000	23,706	16,294
Employee benefits	5,000	5,000	3,864	1,136
Dues and subscriptions	500	500	271	229
Repairs and maintenance	57,000	57,000	29,310	27,690
Service fees	10,000	10,000	10,000	-
Supplies and uniforms	17,000	17,000	14,896	2,104
Telephone and utilities	38,700	38,700	38,603	97
Training and travel	20,000	20,000	17,462	2,538
Vehicle expense	35,500	35,500	19,086	16,414
Miscellaneous	1,000	1,000	3,339	(2,339)
Total fire department	<u>224,700</u>	<u>224,700</u>	<u>160,537</u>	<u>64,163</u>
Total public safety	<u>2,417,200</u>	<u>2,417,200</u>	<u>2,224,095</u>	<u>193,105</u>
(Continued)				

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

CITY OF SODDY-DAISY, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public works				
Street department				
Salaries	\$ 506,000	\$ 506,000	\$ 505,792	\$ 208
Payroll taxes	39,000	39,000	37,376	1,624
Employee benefits	146,500	146,500	131,370	15,130
Equipment rental	36,400	36,400	22,461	13,939
Repairs and maintenance	81,000	81,000	20,462	60,538
Supplies and uniforms	12,000	12,000	18,760	(6,760)
Utilities	28,000	28,000	27,074	926
Vehicle expense	-	-	31	(31)
Miscellaneous	1,000	1,000	41	959
Total public works	<u>849,900</u>	<u>849,900</u>	<u>763,367</u>	<u>86,533</u>
State street aid				
Repairs and maintenance	3,000	3,000	5,765	(2,765)
Street repair	86,500	86,500	82,470	4,030
Supplies	40,000	40,000	38,913	1,087
Telephone and utilities	52,500	52,500	47,601	4,899
Vehicle expense	65,000	65,000	60,596	4,404
Miscellaneous	3,000	3,000	2,461	539
Total state street aid	<u>250,000</u>	<u>250,000</u>	<u>237,806</u>	<u>12,194</u>
Public welfare and recreation				
Senior Center				
Contracted services	45,000	45,000	42,565	2,435
Repairs and maintenance	1,500	1,500	998	502
Supplies	1,000	1,000	739	261
Utilities	8,200	8,200	6,320	1,880
Miscellaneous	300	300	-	300
Total Senior Center	<u>56,000</u>	<u>56,000</u>	<u>50,622</u>	<u>5,378</u>
Animal control				
Animal care	<u>57,000</u>	<u>57,000</u>	<u>56,728</u>	<u>272</u>
Total public welfare and recreation	<u>113,000</u>	<u>113,000</u>	<u>107,350</u>	<u>5,650</u>
(Continued)				

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

CITY OF SODDY-DAISY, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Capital outlay				
General government	\$ 20,000	\$ 20,000	\$ 16,486	\$ 3,514
Public safety	271,300	271,300	149,208	122,092
Public works	258,000	258,000	20,000	238,000
Public welfare and recreation	943,000	943,000	151,242	791,758
Total capital outlay	<u>1,492,300</u>	<u>1,492,300</u>	<u>336,936</u>	<u>1,155,364</u>
Debt service				
Retirement of bonds	<u>325,000</u>	<u>325,000</u>	<u>320,502</u>	<u>4,498</u>
TOTAL EXPENDITURES	<u>7,305,650</u>	<u>7,305,650</u>	<u>5,447,942</u>	<u>1,857,708</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,740,000)</u>	<u>(1,740,000)</u>	<u>(103,040)</u>	<u>1,636,960</u>
OTHER FINANCING SOURCES (USES)				
Transfer out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(475,000)</u>	<u>25,000</u>
Total other financing sources (uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>(475,000)</u>	<u>25,000</u>
Net changes in fund balances	(2,240,000)	(2,240,000)	(578,040)	1,661,960
Fund balances - beginning	<u>2,567,598</u>	<u>2,567,598</u>	<u>2,567,598</u>	<u>-</u>
Fund balances - end	<u>\$ 327,598</u>	<u>\$ 327,598</u>	<u>\$ 1,989,558</u>	<u>\$ 1,661,960</u>

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

CITY OF SODDY-DAISY, TENNESSEE
Notes to Financial Statements
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Soddy-Daisy, Tennessee have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City of Soddy-Daisy, Tennessee operates under a Mayor and Board of Commissioners within the following departments: general government, public safety, public works, state street aid, and public welfare and recreation.

The following is a summary of the more significant accounting policies:

A. Reporting Entity

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP and GASB issued Statement No. 14, *The Financial Reporting Entity*. This statement requires that the financial statements present the City of Soddy-Daisy, Tennessee (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting one of the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board and the primary government is able to impose its will upon the potential component unit); or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

Based on the foregoing criteria, there are no entities, which meet the above criteria for inclusion in the City of Soddy-Daisy, Tennessee's financial statements.

B. Basic Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

Government-wide Statements - The Statement of Net Assets and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis for column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. As of June 30, 2010, the City had no business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The net cost (by function or business-type activity) is normally covered by general revenue (property or sales taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is designed to view the City as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Fund Financial Statements - The fund financial statements provide information about the City's governmental funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as non-major funds.

The City reports the following major governmental fund:

General Fund - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

C. Measurement Focus - Basis of Accounting

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 revenue 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus - Basis of Accounting (Continued)

Government 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. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, gasoline taxes, wholesale beer taxes, income taxes, mixed drink taxes and in-lieu of taxes are susceptible to accrual. Licenses and permits, fines and forfeitures, gross receipts taxes and excise taxes are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

All governmental activities of the City follow FASB ASC, unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails.

D. Budgetary Data

Prior to May 15, the City Recorder submits to the Mayor and Board of Commissioners, the proposed operating budgets of the governmental fund types for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them. Budgets are adopted in accordance with GAAP and, therefore, no adjustments are necessary to convert to the actual GAAP data from budgetary basis. Prior to July 1st, the budget is legally enacted through passage of an ordinance.

The Mayor and Board of Commissioners approve departmental budgets, supplementary appropriations to the General Fund if necessary. The City Recorder approves any transfer of budgeted amounts between departments within any fund and the Mayor and Board of Commissioners approve any revisions in the total appropriations. Expenditures may not exceed appropriations at the fund level. All appropriations which are not expended lapse at year-end.

During the year, no supplementary appropriations were necessary.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

Cash consists of cash-on-hand and on-deposit with financial institutions. Cash is reported on the Statement of Net Assets as "Cash and Cash Equivalents". For purposes of reporting cash, the City considers unrestricted highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments are reported at fair value, which is based on quoted market prices.

The City is authorized by State Statutes to invest in the following:

Bonds, notes or treasury bills of the United States.

Nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Student Loan Marketing Association.

Any obligation guaranteed by the United States or any of its agencies.

Certificates-of-deposit at state and federal chartered banks and savings and loan associations.

The Local Government Investment Pool created by Title 9.

G. Interfund Transactions

Interfund Receivables and Payables

Short-term advances between funds are not eliminated but accounted for in the appropriate interfund receivable and payable accounts classified as due to other funds and due from other funds in the fund financial statements and are subject to elimination upon consolidation. At June 30, 2010, there were no interfund receivables and payables.

Transactions between Funds

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

Capital assets, which include property, plant, equipment and public improvements, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings	15-40
Equipment	3-40
Public improvements	15

Donated capital assets are valued at their estimated fair value on the date donated. The City's policy is to capitalize the net interest cost incurred during the year resulting from borrowings utilized to finance the construction of assets.

I. Compensated Absences

City employees are granted annual leave in varying amounts. In the event of termination, an employee is paid for accumulated annual and sick leave. Government-wide funds accrue vacation benefits in the period they are earned. A liability for these amounts is reported in governmental funds only if they have matured.

J. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets.

K. Restricted Net Assets

The City records restrictions of net assets, which are maintained for specific purposes.

L. Property Taxes

Property taxes are levied by the City on October 1st on property values assessed for that calendar year. The lien date is January 1st. The billings are mailed October 1st and are considered due upon receipt by the taxpayer; however the actual due date is based on a period ending approximately 60 days after the calendar year end. On this date, March 1st, the bill becomes delinquent and penalties and interest may be assessed.

Property taxes are recognized on the modified accrual basis on the governmental fund financial statements. Proper allowances are made for estimated uncollectible accounts and delinquent accounts when necessary. The tax rate for the 2009 levy is \$.78 per \$100 of assessed valuation, and the tax rate for the 2010 levy is \$.686 per \$100 of assessed valuation.

Property taxes for the 2010 levy are considered to be owed to the City as of the lien date on January 1, 2010. Therefore, the entire 2010 levy was recorded as a receivable and deferred revenue as of June 30, 2010.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Prepayment of Expenditures

Governmental fund expenditures for insurance and similar services extending over more than one accounting period are not allocated between accounting periods but accounted for as expenditures of the period of acquisition.

N. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. Events Occurring after Reporting Date

The City has evaluated events and transactions that occurred between June 30, 2010, and December 8, 2010, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure the City's deposits may not be returned to it. The City does not have a deposit or investment policy for custodial credit risk, however, the State of Tennessee requires its governmental entities to either meet the deposit and collateralization regulations under TCA Title 9, Chapter 4, Parts 1 and 4, or as provided in the collateral pool. As of June 30, 2010, the carrying amount of the City's deposits was \$1,647,304 and the bank balance was \$1,705,223. None of the City's bank balance was exposed to custodial credit risk as uninsured or uncollateralized due to the fact that all of its deposits and investments are in a financial institution that is a participant in the State of Tennessee collateral pool.

The carrying amount of the City's deposits including certificates of deposit is classified as follows on the Statement of Net Assets:

Cash	\$ 973,262
Certificate-of-deposit	674,342
Less: petty cash	<u>(300)</u>
Total	<u>\$ 1,647,304</u>

NOTE 3 - PROPERTY TAXES RECEIVABLE - NET

Property taxes were levied for 2010 at the rate of \$.686 per \$100 of assessed value and for 2009 at the rate of \$.78 per \$100 of assessed value. Property taxes receivable as of June 30, 2010, including prior years unpaid taxes are composed of the following:

<u>Year of Levy</u>	<u>Amount</u>
2010	\$ 1,617,000
2009	140,394
2008	19,017
2007	13,619
2006	-
2005	-
2004	-
2003	-
2002	984
2001	-
	<u>1,791,014</u>
Less: allowance for uncollectible taxes	<u>(38,125)</u>
Property taxes receivable - net	<u>\$ 1,752,889</u>

NOTE 4 - ACCOUNTS RECEIVABLE - NET

Accounts receivable - net as of June 30, 2010, consists of the following:

	<u>General Fund</u>
Local beer tax	<u>\$ 32,376</u>

Due to the collection history of the City, no allowance for bad debt was deemed necessary.

NOTE 5 - GRANTS RECEIVABLE

Grants receivable as of June 30, 2010, consists of the following:

US Department of Health & Human Services	<u>\$ 1,062</u>
--	-----------------

NOTE 6 - DUE FROM OTHER GOVERNMENTS

Due from other governments as of June 30, 2010, consists of the following:

State business tax	\$ 10,337
State income tax	30,346
State street aid revenues	56,270
City streets and transportation revenues	4,125
State sales tax revenue	131,023
Local sales tax revenue	252,681
State mixed drink tax	<u>2,839</u>
	<u>\$ 487,621</u>

Due to the collection history of the City, no allowance for bad debts was deemed necessary.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 346,970	\$ 63,000	\$ -	\$ 409,970
Total capital assets not being depreciated	<u>346,970</u>	<u>63,000</u>	<u>-</u>	<u>409,970</u>
Capital assets being depreciated:				
Buildings	1,442,859	17,553	-	1,460,412
Equipment	3,362,064	129,331	-	3,491,395
Public improvements	<u>290,425</u>	<u>-</u>	<u>-</u>	<u>290,425</u>
Total capital assets being depreciated	<u>5,095,348</u>	<u>146,884</u>	<u>-</u>	<u>5,242,232</u>
Less: accumulated depreciation for:				
Buildings	601,285	33,724	-	635,009
Equipment	2,392,569	300,221	-	2,692,790
Public improvements	<u>191,797</u>	<u>15,976</u>	<u>-</u>	<u>207,773</u>
Total accumulated depreciation	<u>3,185,651</u>	<u>349,921</u>	<u>-</u>	<u>3,535,572</u>
Total capital assets being depreciated - net	<u>1,909,697</u>	<u>(203,037)</u>	<u>-</u>	<u>1,706,660</u>
Governmental activities capital assets - net	<u>\$ 2,256,667</u>	<u>\$ (140,037)</u>	<u>\$ -</u>	<u>\$ 2,116,630</u>

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

General government	\$ 41,167
Public safety	252,033
Public works	33,427
Public welfare and recreation	<u>23,294</u>
Total	<u>\$ 349,921</u>

NOTE 8 - DEFERRED REVENUES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	<u>\$ 108,360</u>	<u>\$ 1,617,000</u>	<u>\$ 1,725,360</u>

Funds that are earned, but not available, are realized as revenue under GASB #33.

NOTE 9 - LONG-TERM DEBT

A. Governmental Debt

Long-term debt payable by the governmental funds, which consists of notes payable and compensated absences, is summarized as follows:

	<u>Principal Balance</u>
Capital Outlay Notes Series 2006, amount not to exceed \$1,500,000, interest rate of 3.88% matures 04-01-2011.	\$ 300,000
Compensated absences	<u>132,675</u> 432,675
Less: current portion of governmental long-term debt	<u>(300,000)</u>
Total governmental long-term debt	<u>\$ 132,675</u>

A summary of changes in long-term debt for the year ended June 30, 2010, is as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>	<u>Amount Due Within One Year</u>
Capital Outlay Note - 2006	\$ 600,000	\$ -	\$ 300,000	\$ 300,000	\$ 300,000
Compensated absences	<u>159,355</u>	<u>-</u>	<u>26,680</u>	<u>132,675</u>	<u>-</u>
Total	<u>\$ 759,355</u>	<u>\$ -</u>	<u>\$ 326,680</u>	432,675	<u>\$ 300,000</u>
Less: current portion of governmental long-term debt				<u>(300,000)</u>	
Total governmental long-term debt				<u>\$ 132,675</u>	

Interest paid during the year ended June 30, 2010, on governmental long-term debt was \$20,502.

NOTE 10 - NET ASSET RESTRICTIONS

The City records restrictions of net assets, which are maintained for specific purposes. The nature and purpose of these are explained as follows:

Restricted for Non-recurring Police Expenditures - Drug funds in the amount of \$131,566 are legally restricted for non-recurring police expenditures.

NOTE 11 - TRANSFERS

Interfund transfers for the current year were as follows:

Transfers from:		Transfers to:	
General Fund	<u>\$ 475,000</u>	Solid Waste Fund	<u>\$ 475,000</u>

\$475,000 of General Funds was transferred to the Solid Waste Fund to supplement operations.

NOTE 12 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental funds Balance Sheet and the government-wide Statement of Net Assets:

The governmental funds Balance Sheet includes a reconciliation between fund balance - total governmental funds and net assets - government activities as reported in the government-wide Statement of Net Assets. One element of that reconciliation explains that, “long-term liabilities, including notes payable and compensated absences are not due and payable in the current period, and therefore, are not reported in the funds”. The details of this \$(432,675) difference are as follows:

Compensated absences	\$ (132,675)
Notes payable	<u>(300,000)</u>
	<u>\$ (432,675)</u>

Explanation of certain differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities:

The governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between net changes in fund balances for total governmental funds and changes in net assets of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that, “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this \$(140,037) difference are as follows:

Depreciation expense	\$ (349,921)
Capital outlay	<u>209,884</u>
Net adjustment	<u>\$ (140,037)</u>

Another element of that reconciliation states that, “Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets”. The details of this \$300,000 difference are as follows:

Principal repayments:	
Notes	<u>\$ 300,000</u>

NOTE 13 - MATERIAL COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City has no material violations of finance related legal and contractual provisions.

NOTE 14 - COMMERCIAL INSURANCE

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

NOTE 15 - PENSION PLAN

Plan Description

Employees of Soddy-Daisy are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Soddy-Daisy participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

Soddy-Daisy requires employees to contribute 5.0 percent of earnable compensation.

Soddy-Daisy is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2010, was 10.01% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Soddy-Daisy is established and may be amended by the TCRS Board of Trustees.

NOTE 15 - PENSION PLAN (Continued)

Annual Pension Cost

For the year ending June 30, 2010, Soddy-Daisy's annual pension cost of \$217,774 to TCRS was equal to Soddy-Daisy's required and actual contributions. The required contribution was determined as part of the July 1, 2007, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Soddy-Daisy's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was 14 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/10	\$217,774	100.00%	\$0.00
6/30/09	\$216,080	100.00%	\$0.00
6/30/08	\$239,180	100.00%	\$0.00

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 75.11 percent funded. The actuarial accrued liability for benefits was \$6.11 million, and the actuarial value of assets was \$4.59 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.52 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.11 million, and the ratio of the UAAL to the covered payroll was 72.11 percent.

The Schedules of Funding Progress, presented as required supplementary information (RSI) following the Notes to the Financial Statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

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, 2009	\$ 4,590	\$ 6,111	\$1,521	75.11%	\$ 2,110	72.11%
July 01, 2007	\$ 4,102	\$ 5,080	\$ 978	80.75%	\$ 1,812	53.97%

NOTE 16 - CONTINGENCIES AND LITIGATION

Litigation

Certain claims and lawsuits are pending against the City. In the opinion of City management, the potential loss on all claims and lawsuits will not be significant to the City's financial statements.

NOTE 17 - RISK MANAGEMENT POOL

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

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

Coverage's are as follows:

Fire, extended coverage, vandalism and malicious mischief:		
Buildings, contents and outside equipment	\$ 6,847,367	
Workmen's compensation	\$ 300,000	per accident
	\$ 700,000	policy limit
	\$ 300,000	per person
General and personal injury liability	\$ 300,000	per person
	\$ 700,000	per occurrence
	\$ 100,000	per property
	\$ 1,000,000	each other loss -
		per occurrence
Automobile liability	\$ 300,000	per person
	\$ 700,000	per occurrence
	\$ 100,000	per property
Errors and omissions (\$2,500 deductible)	\$ 1,000,000	per occurrence

NOTE 17 - RISK MANAGEMENT POOL (Continued)

The responsibilities of the City are as follows:

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

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

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

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

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

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

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

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

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

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

The responsibilities of TML are as follows:

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

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

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

The City has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The City is not aware of any claims, which the City is liable for (up to the applicable deductible), which were outstanding and unpaid at June 30, 2010. No provisions have been made in the financial statements for the year ended June 30, 2010, for any estimate of potential unpaid claims.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

CITY OF SODDY-DAISY, TENNESSEE
Tennessee Consolidated Retirement System
Schedule of Funding Progress
June 30, 2010

(Dollar amounts in thousands)

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)
01-Jul-09	\$4,590	\$6,111	\$1,521	75.11%	\$2,110	72.11%
01-Jul-07	\$4,102	\$5,080	\$978	80.75%	\$1,812	53.97%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

OTHER INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenues that are legally restricted to finance specific functions or activities of government and which, therefore, cannot be diverted to other uses.

Solid Waste Fund: This fund accounts for the revenues and expenditures of the City of Soddy-Daisy's Solid Waste Management program.

Drug Fund: This fund is used to account for investigations of violations of controlled substance laws and is funded primarily by the state statute from the receipt of fines and costs related to drug enforcement cases.

CITY OF SODDY-DAISY, TENNESSEE
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2010

	Special Revenue		Total Non-major Governmental Funds
	Solid Waste Fund	Drug Fund	
ASSETS			
Cash	\$ 3,717	\$ 131,566	\$ 135,283
TOTAL ASSETS	\$ 3,717	\$ 131,566	\$ 135,283
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 39,706	\$ -	\$ 39,706
Total liabilities	39,706	-	39,706
 Fund Balances			
Unreserved	(35,989)	131,566	95,577
Total fund balances	(35,989)	131,566	95,577
 TOTAL LIABILITIES AND FUND BALANCES	\$ 3,717	\$ 131,566	\$ 135,283

CITY OF SODDY - DAISY, TENNESSEE
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2010

	<u>Special Revenue</u>		Total
	<u>Solid Waste</u> <u>Fund</u>	<u>Drug</u> <u>Fund</u>	<u>Non-major</u> <u>Governmental</u> <u>Funds</u>
REVENUES			
Fines and forfeitures	\$ -	\$ 24,890	\$ 24,890
Other revenues	<u>-</u>	<u>2,629</u>	<u>2,629</u>
TOTAL REVENUES	<u>-</u>	<u>27,519</u>	<u>27,519</u>
EXPENDITURES			
Current expenditures			
Public safety	-	24,049	24,049
Public works	476,474	-	476,474
Capital outlay	<u>-</u>	<u>8,381</u>	<u>8,381</u>
TOTAL EXPENDITURES	<u>476,474</u>	<u>32,430</u>	<u>508,904</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(476,474)</u>	<u>(4,911)</u>	<u>(481,385)</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	<u>475,000</u>	<u>-</u>	<u>475,000</u>
Total other financing sources (uses)	<u>475,000</u>	<u>-</u>	<u>475,000</u>
Net changes in fund balances	(1,474)	(4,911)	(6,385)
Fund balances - beginning	<u>(34,515)</u>	<u>136,477</u>	<u>101,962</u>
Fund balances - end	<u>\$ (35,989)</u>	<u>\$ 131,566</u>	<u>\$ 95,577</u>

CITY OF SODDY-DAISY, TENNESSEE
Solid Waste Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
EXPENDITURES				
Current expenditures				
Public works				
Contracted services	\$ 500,000	\$ 500,000	\$ 476,474	\$ 23,526
TOTAL EXPENDITURES	<u>500,000</u>	<u>500,000</u>	<u>476,474</u>	<u>23,526</u>
Excess (deficiency) of revenues over (under) expenditures	(500,000)	(500,000)	(476,474)	23,526
OTHER FINANCING SOURCES (USES)				
Transfer in	<u>500,000</u>	<u>500,000</u>	<u>475,000</u>	<u>(25,000)</u>
Net changes in fund balances	-	-	(1,474)	(1,474)
Fund balances - beginning	<u>(34,515)</u>	<u>(34,515)</u>	<u>(34,515)</u>	<u>-</u>
Fund balances - end	<u>\$ (34,515)</u>	<u>\$ (34,515)</u>	<u>\$ (35,989)</u>	<u>\$ (1,474)</u>

CITY OF SODDY-DAISY, TENNESSEE
Drug Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures				
Court fines and forfeitures	\$ 190,000	\$ 190,000	\$ 24,890	\$ (165,110)
Other revenues				
Interest revenue	-	-	2,629	2,629
TOTAL REVENUES	<u>190,000</u>	<u>190,000</u>	<u>27,519</u>	<u>(162,481)</u>
EXPENDITURES				
Current expenditures				
Public safety				
Drug enforcement	25,000	25,000	10,000	15,000
Repairs and maintenance	5,000	5,000	113	4,887
Supplies and uniforms	5,000	5,000	3,314	1,686
Miscellaneous	15,000	15,000	10,622	4,378
Total public safety	<u>50,000</u>	<u>50,000</u>	<u>24,049</u>	<u>25,951</u>
Capital outlay				
Public safety	<u>150,000</u>	<u>150,000</u>	<u>8,381</u>	<u>141,619</u>
TOTAL EXPENDITURES	<u>200,000</u>	<u>200,000</u>	<u>32,430</u>	<u>167,570</u>
Excess (deficiency) of revenues over (under) expenditures	(10,000)	(10,000)	(4,911)	5,089
Fund balances - beginning	<u>136,477</u>	<u>136,477</u>	<u>136,477</u>	<u>-</u>
Fund balances - end	<u>\$ 126,477</u>	<u>\$ 126,477</u>	<u>\$ 131,566</u>	<u>\$ 5,089</u>

SUPPLEMENTAL INFORMATION

CITY OF SODDY-DAISY, TENNESSEE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

<u>Federal Grantor/Pass-through Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Grant/Project Number</u>	<u>Accrued (Deferred) Grant Revenues June 30, 2009</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Grant Revenues June 30, 2010</u>
FEDERAL						
Department of Economic and Community Development						
Energy Efficiency and Conservation Block Grant	14.228	GG-08-25605-00	\$ -	\$ 120,635	\$ 120,635	\$ -
Housing Rehabilitation						
U.S. Department of Health and Human Services/ Southeast Tennessee Development District	13.633	-	-	7,882	8,944	1,062
Senior Senter Grant - Title III						
U.S. Department of Justice/ American Recovery and Reinvestment Act	16.738	-	-	6,019	6,019	-
Justice Assistance Grant thru City of Chattanooga						
Department of Transportation	20.607	Z-09-214658-00	-	22,178	22,178	-
Highway Safety Grant - Traffic Communication						
Total federal awards			\$ -	\$ 156,714	\$ 157,776	\$ 1,062

CITY OF SODDY-DAISY, TENNESSEE
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Soddy-Daisy, Tennessee and is presented on the modified accrual basis of accounting.

CITY OF SODDY-DAISY, TENNESSEE
Schedule of Property Taxes Receivable
General Fund
June 30, 2010

<u>Year of Levy</u>	
2010	\$ 1,617,000
2009	140,394
2008	19,017
2007	13,619
2006	-
2005	-
2004	-
2003	-
2002	984
2001	<u>-</u>
Total property taxes receivable	1,791,014
Less: allowance for uncollectible taxes	<u>(38,125)</u>
Net property taxes receivable	<u>\$ 1,752,889</u>

CITY OF SODDY-DAISY, TENNESSEE
Schedule of Changes in Property Taxes Receivable
General Fund
Year Ended June 30, 2010

	Taxes Receivable July 1, 2009	Taxes Levied	Pickups	Collections	Error/ Releases	Taxes Receivable June 30, 2010
2010	\$ -	\$ 1,617,000	\$ -	\$ -	\$ -	\$ 1,617,000
2009	1,582,000	-	36,633	(1,476,507)	(1,732)	140,394
2008	115,030	-	-	(96,013)	-	19,017
2007	38,282	-	-	(24,663)	-	13,619
2006	-	-	11,182	(11,182)	-	-
2005	-	-	946	(946)	-	-
2004	-	-	186	(186)	-	-
2003	-	-	-	-	-	-
2002	999	-	-	(15)	-	984
2001	-	-	-	-	-	-
Total	<u>\$ 1,736,311</u>	<u>\$ 1,617,000</u>	<u>\$ 48,947</u>	<u>\$ (1,609,512)</u>	<u>\$ (1,732)</u>	<u>\$ 1,791,014</u>

CITY OF SODDY-DAISY, TENNESSEE
Tax Rates and Assessed Valuation Applicable to the Last Ten Years and
Uncollected Delinquent Accounts
June 30, 2010

<u>Year of Levy</u>	<u>Tax Rate Per \$100</u>	<u>Assessed Valuation</u>	<u>Levy</u>
2010	\$.686/\$100	\$ 235,714,286	\$ 1,617,000
2009	\$.780/\$100	\$ 234,832,362	\$ 1,610,950
2008	\$.780/\$100	\$ 202,800,513	\$ 1,581,844
2007	\$.780/\$100	\$ 196,155,718	\$ 1,530,015
2006	\$.780/\$100	\$ 178,423,077	\$ 1,391,700
2005	\$.780/\$100	\$ 170,897,436	\$ 1,333,000
2004	\$.490/\$100	\$ 145,891,837	\$ 714,870
2003	\$.490/\$100	\$ 141,768,571	\$ 694,666
2002	\$.490/\$100	\$ 138,171,279	\$ 677,039
2001	\$.585/\$100	\$ 113,657,094	\$ 664,894

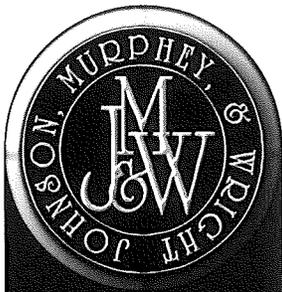
Uncollected Delinquent Accounts

The City of Soddy-Daisy has filed all delinquent taxes with the Hamilton County Trustee for collection as of June 30, 2010.

CITY OF SODDY-DAISY, TENNESSEE
Schedule of Insurance
June 30, 2010

	<u>Expiration</u>	<u>Amount</u>	
General Fund			
TML Pool:			
Fire, extended coverage, vandalism and malicious mischief:			
Buildings, contents and outside equipment	7-01-10	\$ 6,847,367	
Workmen's compensation	7-01-10	\$ 300,000	per accident
		\$ 700,000	policy limit
		\$ 300,000	per person
General and personal injury liability	7-01-10	\$ 300,000	per person
		\$ 700,000	per occurrence
		\$ 100,000	per property
		\$ 1,000,000	each other loss
			per occurrence
Automobile liability	7-01-10	\$ 300,000	per person
		\$ 700,000	per occurrence
		\$ 100,000	per property
Errors and omissions (\$2,500 deductible)	7-01-10	\$ 1,000,000	per occurrence

III. INTERNAL CONTROL & COMPLIANCE SECTION



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

Mayor and Commissioners
City of Soddy-Daisy, Tennessee
Soddy-Daisy, Tennessee

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the City of Soddy-Daisy, Tennessee, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Soddy-Daisy, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Soddy-Daisy, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Soddy-Daisy, Tennessee's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 10-1 to be a material weakness.

Mayor and Commissioners
City of Soddy-Daisy, Tennessee
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Soddy-Daisy, 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*.

The City of Soddy-Daisy, Tennessee's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the City of Soddy-Daisy, Tennessee's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Mayor and Commissioners, management, federal awarding agencies and the Comptroller of the Treasury of the State of Tennessee, and is not intended to be and should not be used by anyone other than these specified parties.

Johnson, Murphey & Wright, P.C.

Chattanooga, Tennessee
December 7, 2010

CITY OF SODDY-DAISY, TENNESSEE
Schedule of Findings and Responses
June 30, 2010

SUMMARY OF AUDIT RESULTS

Opinion:

Unqualified opinion issued on the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Deficiencies:

During the audit of the financial statements a significant deficiency in internal controls was disclosed, which also was considered to be a material weakness.

Material Noncompliance:

None disclosed.

FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

INTERNAL CONTROL:

Finding 10-1 - Accounting Expertise (repeat 09-1)

Criteria:

SAS 115 states in part that the lack of accounting personnel with “sufficient training” to properly design controls over significant accounting processes, and controls over the year-end financial reporting process, including the actual “preparation of financial statements” is a “significant deficiency” and a strong indication of a “material weakness”.

Condition Found:

The City did not have accounting personnel on staff that had sufficient knowledge as to the design and implementation of proper accounting controls and they also did not have any accounting personnel on staff with the skills and knowledge to prepare their own year-end financial statements.

Recommendation:

The City should consider the risk benefits of continuing to allow the outside auditors to perform these services for them, versus having an internal auditor/CPA to perform the year-end financial reporting process.

Management’s Response:

We concur. However, even though we are aware that we cannot theoretically rely on our outside CPA as a part of our system of internal controls anymore, we feel that this is still a very important and very reliable way to safeguard our assets and report the transactions of the City. In addition, we do not have the funds available at this time to hire an additional accounting staff.

CITY OF SODDY-DAISY, TENNESSEE
Schedule of Prior Year Findings
June 30, 2010

INTERNAL CONTROL:

Finding 09-1 - Accounting Expertise

Still in effect.

COMPLIANCE:

None.