

**CITY OF SODDY-DAISY, TENNESSEE**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2013**

**JOHNSON, MURPHEY & WRIGHT, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CHATTANOOGA, TENNESSEE**

## **I. INTRODUCTORY SECTION**

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**CITY OF SODDY-DAISY, TENNESSEE**  
**City Officials**  
**June 30, 2013**

City Mayor ..... Janice Cagle

Vice Mayor..... Rick Nunley

Commissioner..... Jim Adams

Commissioner.....Dr. Patti Skates

Commissioner.....Gene Shipley

City Manager.....Hardie Stulce

Finance Director/City Recorder/CMFO ..... Burt Johnson

## **II. FINANCIAL SECTION**



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Karen Hutcherson, CPA

Marianne Greene, CPA

## INDEPENDENT AUDITOR'S REPORT

Mayor and Commissioners  
City of Soddy-Daisy, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the remaining fund information of the City of Soddy-Daisy, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of the City of Soddy-Daisy, Tennessee, as of June 30, 2013, and, the respective changes in financial position and the budgetary comparison for the General Fund, 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 listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Supplementary Information

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, individual non-major fund financial statements and financial schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual non-major fund financial statements and financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual non-major fund financial statements and financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013, on our consideration of the City of Soddy-Daisy, 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 the City of Soddy-Daisy, Tennessee's internal control over financial reporting and compliance.

Chattanooga, Tennessee  
October 31, 2013

*Johnson, Murphy & Wright, P.C.*

## 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, 2013. 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 and deferred inflows at June 30, 2013, by \$5,547,684 (net position). Of this amount \$2,291,799 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's governmental activities operated at a surplus of \$599,398.

As of the close of the current fiscal year, the City of Soddy-Daisy, Tennessee's governmental funds reported combined ending fund balances of \$2,624,639. Of that amount, \$249,524 is restricted for a specific purpose. The remaining 90.49% or \$2,375,115 is available for spending at the City's discretion (unassigned fund balance).

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,375,115, or 35.75%, 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 Position* presents information on all of the City of Soddy-Daisy, Tennessee's assets, deferred inflows, liabilities and deferred outflows, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Soddy-Daisy, Tennessee is improving or deteriorating.

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

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 14 and 15 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 two 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. Individual fund data for the non-major governmental fund is provided later in this report beginning on page 42.

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 fund.

The basic governmental fund financial statements can be found on pages 16 through 25 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 26 through 39 of this report.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Soddy-Daisy, Tennessee, assets exceeded liabilities and deferred inflows by \$5,547,684 at the close of this fiscal year.

The largest portion of the City of Soddy-Daisy, Tennessee's net position (54.19 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 4.50%, or \$249,524, of the City of Soddy-Daisy, Tennessee's net position represents resources that are subject to external restrictions on how they may be used. The remaining \$2,291,799 of unrestricted net position may be used to meet the government's ongoing obligations to its citizens and creditors.

At June 30, 2013, the City of Soddy-Daisy, Tennessee is able to report positive balances in all three categories of net position.

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

### City of Soddy-Daisy, Tennessee's Net Position

	<u>Governmental Activities</u>	
	2013	2012
Capital assets	\$ 3,006,361	\$ 2,583,179
Other assets	6,178,558	5,061,591
Total assets	\$ 9,184,919	\$ 7,644,770
Long-term liabilities	\$ 214,335	\$ 202,402
Other liabilities	145,939	122,082
Total liabilities	\$ 360,274	\$ 324,484
Deferred inflows of resources	\$ 3,276,961	\$ 2,372,000
Net investment in capital assets	\$ 3,006,361	\$ 2,583,179
Restricted	249,524	189,091
Unrestricted	2,291,799	2,176,016
Total net position	\$ 5,547,684	\$ 4,948,286

## Change in Net Position

Governmental activities increased the City of Soddy-Daisy, Tennessee's net position by \$599,398.

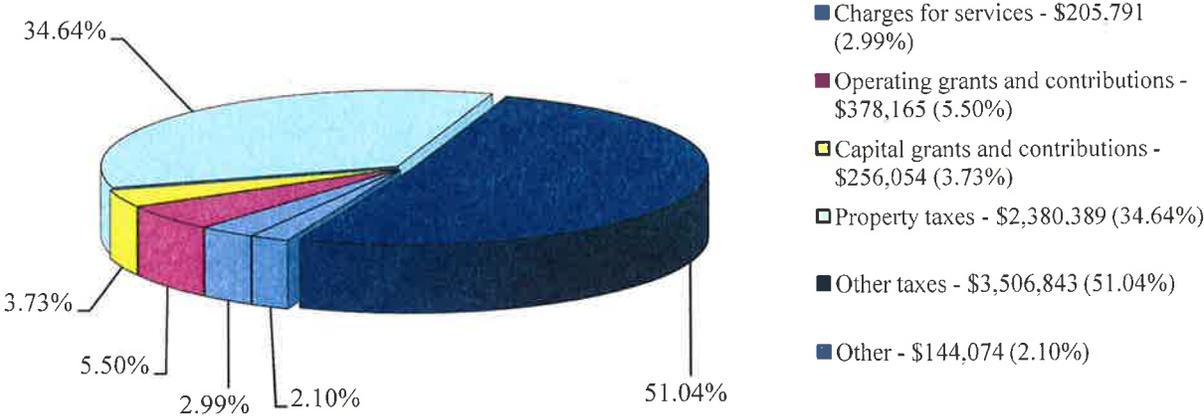
The table below provides a summary of the City's net position.

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

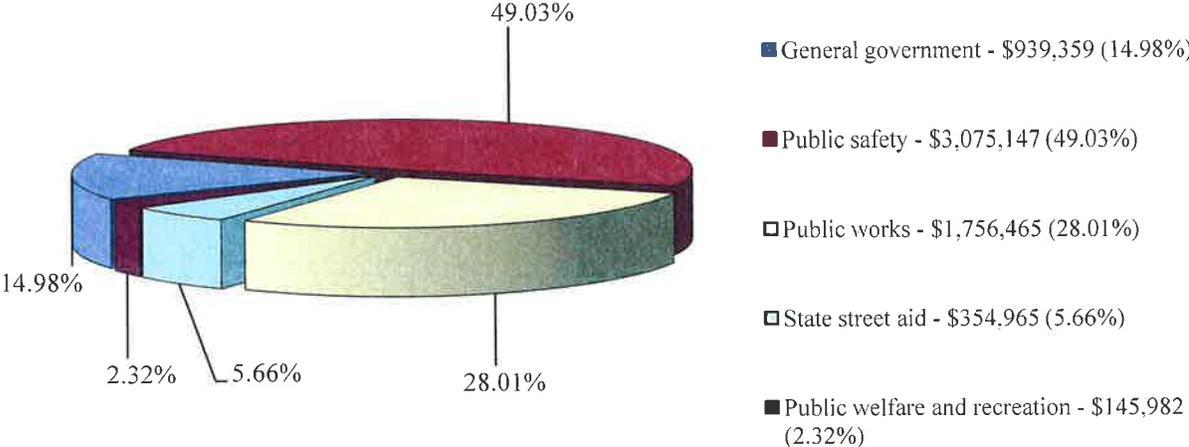
	Governmental Activities	
	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 205,791	\$ 218,797
Operating grants and contributions	378,165	377,375
Capital grants and contributions	256,054	53,646
General revenues:		
Property taxes	2,380,389	2,391,514
Other taxes	3,506,843	3,337,850
Other	144,074	146,738
Total revenues	<u>6,871,316</u>	<u>6,525,920</u>
Expenses:		
General government	939,359	961,831
Public safety	3,075,147	2,753,247
Public works	1,756,465	1,396,985
State street aid	354,965	239,012
Public welfare and recreation	145,982	134,079
Interest on long-term debt	-	1,361
Total expenses	<u>6,271,918</u>	<u>5,486,515</u>
Change in net position	599,398	1,039,405
Net position - beginning	<u>4,948,286</u>	<u>3,908,881</u>
Net position - end	<u>\$ 5,547,684</u>	<u>\$ 4,948,286</u>

The graphs below summarize the \$6,871,316 of City-wide revenues by source and the associated \$6,271,918 of expense by program.

### City-Wide Sources of Revenue

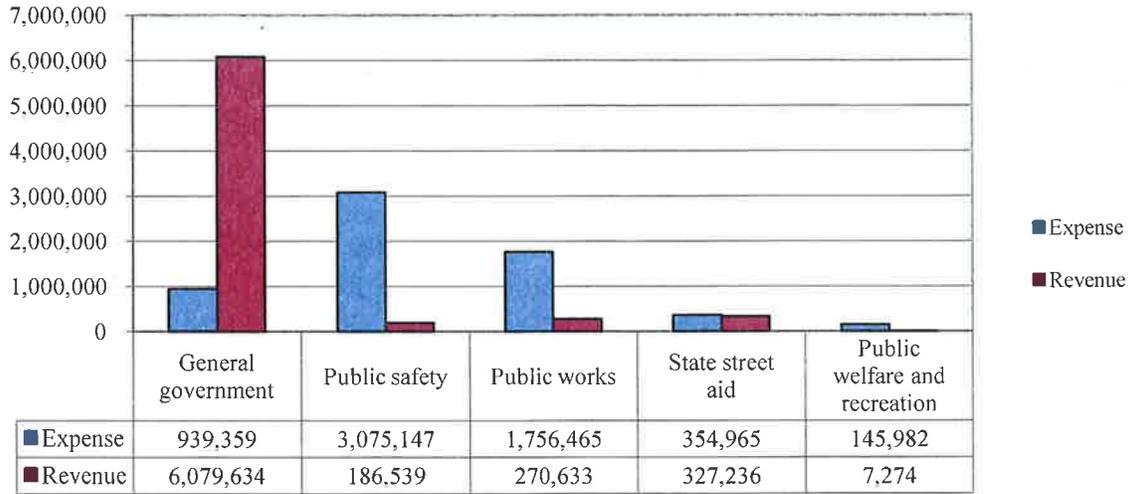


### City-Wide Program Expenses



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 unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year for future unforeseen emergencies.

As of the end of the current fiscal year, the City of Soddy-Daisy, Tennessee's governmental funds reported combined ending fund balances of \$2,624,639. Of this total amount, \$2,375,115, or 90.49%, constitutes unassigned fund balance. The remaining \$249,524 is restricted to indicate that it is not available for spending because it has already been committed.

The General Fund is the chief operating fund of the City of Soddy-Daisy, Tennessee. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,375,115. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 35.75% of total fund expenditures.

### **General Fund Budgetary Highlights**

The City of Soddy-Daisy, Tennessee had amendments to their original budget. The effect of these amendments was to increase General Fund budgeted revenues by \$50,000 and to increase General Fund budgeted expenditures by \$52,000. 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, 2013, amounts to \$3,006,361 (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:

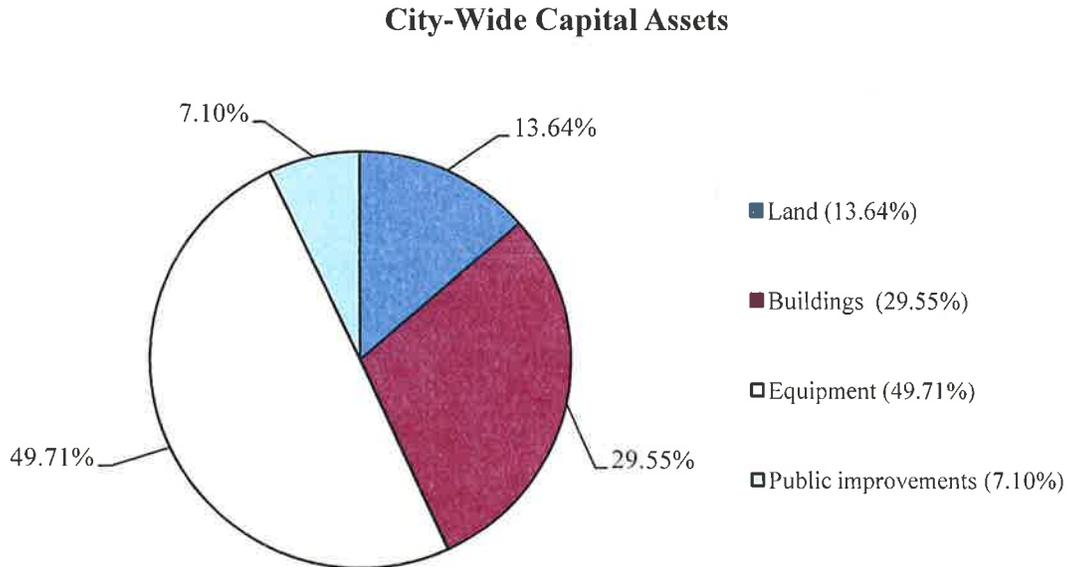
### Governmental Activities

- Thirteen (13) 2013 Ford Taurus' for Police Department for \$302,279.
- Ballfield lights for Public Welfare and Recreation Department for \$174,917.
- Fire truck for Fire Department for \$65,000.
- Three (3) 2012 Ford F250's for Public Works Department for \$74,475.
- Six (6) pavilions at Poe's Tavern for Public Welfare and Recreation Department for \$53,249.

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

	Governmental Activities	
	2013	2012
Land	\$ 409,970	\$ 409,970
Buildings	888,468	890,723
Equipment	1,494,478	1,225,246
Public improvements	213,445	57,240
	<b>\$ 3,006,361</b>	<b>\$ 2,583,179</b>

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



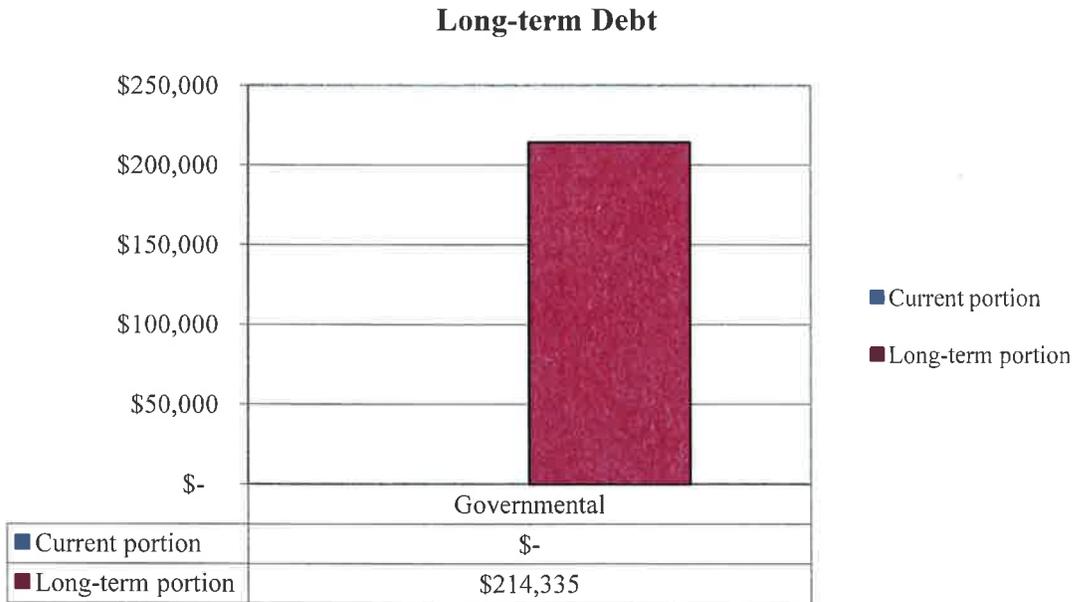
Additional information on the City of Soddy-Daisy, Tennessee's capital assets can be found in Note 7 on page 33 of this report.

### 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 \$214,335. Of that amount, \$0 is due in the next fiscal year.

	<u>Governmental Activities</u>	
	2013	2012
Compensated absences	\$ 214,335	\$ 202,402
Less current portion	-	-
Long-term debt	<u>\$ 214,335</u>	<u>\$ 202,402</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 34.

## **Currently Known Conditions Effecting Future Years**

With the continued recovery of the national economy the City experienced an increase in revenue from the prior year. The City Commission increased the property tax rate for fiscal year 2013-2014 from \$1.00 to \$1.3524. This will provide a 35% increase in property tax revenue. The 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 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 City will provide minimal staffing for the fire department for the fiscal year 2013-2014 and will no longer be an all volunteer department. Recruitment and retention of suitable volunteer 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 has been able to obtain several federal grants, via the Regional Planning Agency, for future years to improve the City's infrastructure through extensive paving projects which will be funded with the additional revenue from the property tax increase. The City will continue to pursue federal and state grants to help fund improvements to the City's roads and parks.

In my opinion as City Manager, the recent tax increases, unanimously supported by the Mayor and entire City Commission will provide additional funds to address past budget shortfalls. This will allow the City to continue to improve Public Safety, both Fire and Police. Additionally, more funds will be available to initiate a more comprehensive paving program for many City streets.

### **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 Position**  
**June 30, 2013**

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Cash	\$ 2,081,774
Property tax receivable - net	3,451,256
Accounts receivable - net	61,057
Grants receivable	10,618
Due from other governments	573,853
Capital assets:	
Land	409,970
Other capital assets - net of accumulated depreciation	<u>2,596,391</u>
<b>TOTAL ASSETS</b>	<u>\$ 9,184,919</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 91,286
Accrued liabilities	52,653
Unearned revenue	2,000
Non-current liabilities:	
Compensated absences	<u>214,335</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 360,274</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenue - property taxes	<u>\$ 3,276,961</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 3,006,361
Restricted for:	
State street aid expenditures	109,189
Non-recurring police expenditures	25,442
Fire hall expenditures	114,893
Unrestricted	<u>2,291,799</u>
<b>TOTAL NET POSITION</b>	<u>\$ 5,547,684</u>

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

**CITY OF SODDY-DAISY, TENNESSEE**  
**Statement of Activities**  
**Year Ended June 30, 2013**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net Position</u> <u>Primary Government</u>	
<u>Primary Government:</u>	<u>Expenses</u>	<u>Charges for</u> <u>Services</u>	<u>Operating Grants</u> <u>and Contributions</u>	<u>Capital Grants</u> <u>and Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental activities:					
General government	\$ 939,359	\$ 48,328	\$ -	\$ -	\$ (891,031)
Public safety	3,075,147	157,463	17,604	11,472	(2,888,608)
Public works	1,756,465	-	26,051	244,582	(1,485,832)
State street aid	354,965	-	327,236	-	(27,729)
Public welfare and recreation	145,982	-	7,274	-	(138,708)
Total governmental activities	<u>\$ 6,271,918</u>	<u>\$ 205,791</u>	<u>\$ 378,165</u>	<u>\$ 256,054</u>	<u>(5,431,908)</u>
		General Revenues:			
					2,380,389
					1,662,811
					1,093,482
					389,372
					136,294
					224,884
					30,633
					26,442
					86,999
					<u>6,031,306</u>
					599,398
					<u>4,948,286</u>
					<u>\$ 5,547,684</u>

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

**CITY OF SODDY-DAISY, TENNESSEE**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2013**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 2,056,159	\$ 25,615	\$ 2,081,774
Property taxes receivable - net	3,451,256	-	3,451,256
Accounts receivable - net	61,057	-	61,057
Grants receivable	10,618	-	10,618
Due from other governments	<u>573,853</u>	<u>-</u>	<u>573,853</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,152,943</u>	<u>\$ 25,615</u>	<u>\$ 6,178,558</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 91,113	\$ 173	\$ 91,286
Accrued liabilities	52,653	-	52,653
Unearned revenue	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total liabilities	<u>145,766</u>	<u>173</u>	<u>145,939</u>
 <b>Deferred Inflows of Resources</b>			
Deferred revenue - property taxes	<u>3,407,980</u>	<u>-</u>	<u>3,407,980</u>
 <b>Fund Balances</b>			
Restricted	224,082	25,442	249,524
Unassigned	<u>2,375,115</u>	<u>-</u>	<u>2,375,115</u>
Total fund balances	<u>2,599,197</u>	<u>25,442</u>	<u>2,624,639</u>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	 <u>\$ 6,152,943</u>	 <u>\$ 25,615</u>	 <u>\$ 6,178,558</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 Position**  
**June 30, 2013**

Total fund balances per governmental funds Balance Sheet	\$ 2,624,639
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,006,361
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(214,335)
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>131,019</u>
Net position of governmental activities	<u>\$ 5,547,684</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, 2013**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 4,805,991	\$ -	\$ 4,805,991
Licenses and permits	48,327	-	48,327
Intergovernmental	1,727,701	-	1,727,701
Charges for services	21,250	-	21,250
Fines and forfeitures	105,173	37,110	142,283
Other revenues	68,612	1,242	69,854
<b>TOTAL REVENUES</b>	<u>6,777,054</u>	<u>38,352</u>	<u>6,815,406</u>
<b>EXPENDITURES</b>			
<b>Current Expenditures</b>			
General government	874,165	-	874,165
Public safety	2,723,932	20,259	2,744,191
Public works	1,271,353	-	1,271,353
State street aid	229,965	-	229,965
Public welfare and recreation	112,550	-	112,550
<b>Capital outlay</b>	<u>1,430,942</u>	<u>20,000</u>	<u>1,450,942</u>
<b>TOTAL EXPENDITURES</b>	<u>6,642,907</u>	<u>40,259</u>	<u>6,683,166</u>
Excess (deficiency) of revenues over (under) expenditures	<u>134,147</u>	<u>(1,907)</u>	<u>132,240</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	30,633	-	30,633
Insurance recoveries	37,517	-	37,517
Total other financing sources (uses)	<u>68,150</u>	<u>-</u>	<u>68,150</u>
Net changes in fund balances	202,297	(1,907)	200,390
<b>Fund balances - beginning</b>	<u>2,396,900</u>	<u>27,349</u>	<u>2,424,249</u>
<b>Fund balances - end</b>	<u>\$ 2,599,197</u>	<u>\$ 25,442</u>	<u>\$ 2,624,639</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, 2013**

Net changes in fund balances for total governmental funds	\$ 200,390
<p>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 capital outlay exceeds depreciation in the current period.</p>	
	423,182
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	(12,241)
<p>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:</p>	
(Increase) decrease in compensated absences	<u>(11,933)</u>
Change in net position of governmental activities	<u>\$ 599,398</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Taxes				
Property tax	\$ 2,310,000	\$ 2,310,000	\$ 2,392,630	\$ 82,630
Local sales tax	1,530,000	1,530,000	1,662,811	132,811
Wholesale beer tax	330,000	330,000	376,544	46,544
Privilege tax	50,000	50,000	136,294	86,294
Mixed drink tax	17,000	17,000	12,828	(4,172)
Cable TV franchise tax	160,000	160,000	224,884	64,884
Total taxes	<u>4,397,000</u>	<u>4,397,000</u>	<u>4,805,991</u>	<u>408,991</u>
Licenses and permits				
Building permits	20,000	20,000	29,868	9,868
Electrical permits	5,500	5,500	7,214	1,714
Other permits	10,500	10,500	11,245	745
Total licenses and permits	<u>36,000</u>	<u>36,000</u>	<u>48,327</u>	<u>12,327</u>
Intergovernmental				
Federal grants	1,639,200	1,689,200	264,132	(1,425,068)
State shared revenue:				
Sales tax allocation	840,000	840,000	879,852	39,852
Income tax allocation	30,000	30,000	62,356	32,356
TVA in lieu of tax	125,000	125,000	144,988	19,988
Beer tax allocation	6,300	6,300	6,286	(14)
Streets and transportation funds	26,000	26,000	26,051	51
State gas and motor fuel tax	330,000	330,000	327,236	(2,764)
Other state and local	-	-	16,800	16,800
Total intergovernmental	<u>2,996,500</u>	<u>3,046,500</u>	<u>1,727,701</u>	<u>(1,318,799)</u>
Charges for services				
Business fees	6,200	6,200	14,400	8,200
Other charges	500	500	6,850	6,350
Total charges for services	<u>6,700</u>	<u>6,700</u>	<u>21,250</u>	<u>14,550</u>
Fines and forfeitures				
Court fines and forfeitures	115,000	115,000	105,173	(9,827)
Other revenues				
Interest revenue	5,000	5,000	26,442	21,442
Donations	-	-	34,600	34,600
Other revenues	1,000	1,000	7,570	6,570
Total other revenues	<u>6,000</u>	<u>6,000</u>	<u>68,612</u>	<u>62,612</u>
<b>TOTAL REVENUES</b>	<u>7,557,200</u>	<u>7,607,200</u>	<u>6,777,054</u>	<u>(830,146)</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 (Continued)**  
**Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
General government				
Finance and administration				
Salaries	\$ 256,000	\$ 258,000	\$ 243,253	\$ 14,747
Payroll taxes	20,000	20,000	18,608	1,392
Employee benefits	64,300	64,300	51,853	12,447
Commissions	-	-	63,667	(63,667)
Contract services	18,000	18,000	21,615	(3,615)
Dues and subscriptions	10,000	10,000	7,955	2,045
Election	6,000	6,000	9,288	(3,288)
Insurance	168,000	168,000	180,443	(12,443)
Office supplies and expenses	15,300	15,300	12,885	2,415
Operating supplies	30,000	30,000	29,322	678
Professional services	45,000	45,000	25,121	19,879
Repairs and maintenance	29,000	29,000	22,134	6,866
Telephone	14,000	14,000	13,392	608
Training and travel	8,500	8,500	1,569	6,931
Vehicle expense	7,000	7,000	3,105	3,895
Miscellaneous	6,000	6,000	2,284	3,716
Total finance and administration	<u>697,100</u>	<u>699,100</u>	<u>706,494</u>	<u>(7,394)</u>
Judicial				
Salaries	84,500	84,500	83,288	1,212
Payroll taxes	6,500	6,500	6,117	383
Employee benefits	13,600	13,600	10,496	3,104
Contract services	1,000	1,000	-	1,000
Fees for officials	8,500	8,500	5,950	2,550
Office supplies and expenses	2,500	2,500	834	1,666
Professional services	20,000	20,000	23,561	(3,561)
Repairs and maintenance	1,000	1,000	87	913
Miscellaneous	1,000	1,000	1,150	(150)
Total judicial	<u>138,600</u>	<u>138,600</u>	<u>131,483</u>	<u>7,117</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 (Continued)**  
**Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
General government (Continued)				
Buildings				
Repairs and maintenance	\$ 90,000	\$ 90,000	\$ 6,549	\$ 83,451
Operating supplies	8,000	8,000	2,206	5,794
Utilities	31,500	31,500	26,653	4,847
Miscellaneous	1,700	1,700	780	920
Total buildings	<u>131,200</u>	<u>131,200</u>	<u>36,188</u>	<u>95,012</u>
 Total general government	 <u>966,900</u>	 <u>968,900</u>	 <u>874,165</u>	 <u>94,735</u>
 Public safety				
Police department				
Salaries	1,672,500	1,710,000	1,668,317	41,683
Payroll taxes	128,000	128,000	121,214	6,786
Dues and subscriptions	14,000	14,000	6,662	7,338
Contract services	5,000	5,000	-	5,000
Employee benefits	485,000	485,000	473,864	11,136
Office supplies and expenses	8,000	8,000	6,380	1,620
Operating supplies	67,000	67,000	38,099	28,901
Repairs and maintenance	37,000	37,000	29,249	7,751
Telephone and communications	22,400	22,400	22,196	204
Training and travel	20,000	21,800	16,915	4,885
Utilities	2,000	2,000	961	1,039
Vehicle expense	215,000	215,000	143,406	71,594
Miscellaneous	5,000	5,000	5,269	(269)
Total police department	<u>2,680,900</u>	<u>2,720,200</u>	<u>2,532,532</u>	<u>187,668</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 (Continued)**  
**Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Favorable (Unfavorable)</b>
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
Public safety (Continued)				
Fire department				
Volunteer stipend	\$ 25,000	\$ 25,000	\$ 11,451	\$ 13,549
Employee benefits	5,000	5,000	4,078	922
Dues and subscriptions	500	500	683	(183)
Operating supplies	40,000	40,000	36,786	3,214
Repairs and maintenance	75,000	75,000	51,242	23,758
Service fees	10,000	10,000	10,000	-
Telephone and communications	24,500	24,500	11,467	13,033
Training and travel	20,000	20,000	10,979	9,021
Utilities	37,000	37,000	22,420	14,580
Vehicle expense	37,000	37,000	31,171	5,829
Miscellaneous	5,000	5,000	1,123	3,877
Total fire department	<u>279,000</u>	<u>279,000</u>	<u>191,400</u>	<u>87,600</u>
 Total public safety	 <u>2,959,900</u>	 <u>2,999,200</u>	 <u>2,723,932</u>	 <u>275,268</u>
 Public works				
Street department				
Salaries	536,650	536,650	503,624	33,026
Payroll taxes	41,100	41,100	35,612	5,488
Dues and subscriptions	1,000	1,000	-	1,000
Employee benefits	183,200	183,200	157,003	26,197
Equipment rental	24,000	24,000	32,464	(8,464)
Operating supplies	18,000	18,000	20,837	(2,837)
Professional services	25,000	25,000	-	25,000
Repairs and maintenance	80,000	80,000	36,366	43,634
Telephone and communications	-	-	494	(494)
Training and travel	2,000	2,000	803	1,197
Utilities	28,000	28,000	28,810	(810)
Vehicle expense	-	-	240	(240)
Miscellaneous	2,000	2,000	720	1,280
Total street department	<u>940,950</u>	<u>940,950</u>	<u>816,973</u>	<u>123,977</u>
 Solid waste				
Contracted services	<u>530,000</u>	<u>530,000</u>	<u>454,380</u>	<u>75,620</u>
 Total public works	 <u>1,470,950</u>	 <u>1,470,950</u>	 <u>1,271,353</u>	 <u>199,597</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 (Continued)**  
**Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
State street aid				
Operating supplies	\$ 34,000	\$ 34,000	\$ 25,137	\$ 8,863
Repairs and maintenance	2,000	2,000	-	2,000
Street repair	201,000	201,000	49,895	151,105
Telephone and communications	2,000	2,000	1,592	408
Utilities	65,000	65,000	62,155	2,845
Vehicle expense	95,000	95,000	90,963	4,037
Miscellaneous	1,000	1,000	223	777
Total state street aid	<u>400,000</u>	<u>400,000</u>	<u>229,965</u>	<u>170,035</u>
Public welfare and recreation				
Senior Center				
Contracted services	45,000	45,000	45,633	(633)
Repairs and maintenance	1,500	1,500	520	980
Operating supplies	1,000	1,000	158	842
Utilities	8,500	8,500	7,510	990
Miscellaneous	1,300	1,300	300	1,000
Total Senior Center	<u>57,300</u>	<u>57,300</u>	<u>54,121</u>	<u>3,179</u>
Animal control				
Animal care	<u>59,000</u>	<u>59,000</u>	<u>58,429</u>	<u>571</u>
Total public welfare and recreation	<u>116,300</u>	<u>116,300</u>	<u>112,550</u>	<u>3,750</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 (Continued)**  
**Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Favorable</b>
				<b>(Unfavorable)</b>
<b>EXPENDITURES (Continued)</b>				
<b>Capital outlay</b>				
Public safety	\$ 891,750	\$ 902,450	\$ 557,654	\$ 344,796
Public works	2,301,400	2,301,400	488,938	1,812,462
State street aid	150,000	150,000	149,825	175
Public welfare and recreation	260,000	260,000	234,525	25,475
Total capital outlay	<u>3,603,150</u>	<u>3,613,850</u>	<u>1,430,942</u>	<u>2,182,908</u>
<b>TOTAL EXPENDITURES</b>	<u>9,517,200</u>	<u>9,569,200</u>	<u>6,642,907</u>	<u>2,926,293</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,960,000)</u>	<u>(1,962,000)</u>	<u>134,147</u>	<u>2,096,147</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	5,000	5,000	30,633	25,633
Insurance recoveries	4,000	4,000	37,517	33,517
Total other financing sources (uses)	<u>9,000</u>	<u>9,000</u>	<u>68,150</u>	<u>59,150</u>
Net changes in fund balances	(1,951,000)	(1,953,000)	202,297	2,155,297
<b>Fund balances - beginning</b>	<u>2,396,900</u>	<u>2,396,900</u>	<u>2,396,900</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 445,900</u>	<u>\$ 443,900</u>	<u>\$ 2,599,197</u>	<u>\$ 2,155,297</u>

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

**CITY OF SODDY-DAISY, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2013**

**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.

**Government-wide Statements** - The Statement of Net Position 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 Position, 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, 2013, the City had no business-type activities.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### B. Basic Financial Statements (Continued)

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.

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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus - Basis of Accounting (Continued)**

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. Fund Balance Policy**

Committed Fund Balances:

The Mayor and Board of Commissioners have the authority to commit funds for a specific purpose. Any funds set aside as committed fund balance requires, at a minimum, the passage of a resolution by a simple majority vote. An ordinance may also be used.

Assigned Fund Balance:

The Mayor and Board of Commissioners have the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as assigned fund balance requires a simple majority vote and must be recorded in the minutes.

Order of Use of Restricted and Unrestricted Funds:

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last.

**E. 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 1<sup>st</sup>. 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 1<sup>st</sup>, 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, supplementary appropriations were necessary. The effect of these amendments was to increase General Fund budgeted revenues by \$50,000 and to increase General Fund budgeted expenditures by \$52,000.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **F. Cash and Cash Equivalents**

Cash consists of cash-on-hand and on-deposit with financial institutions. Cash is reported on the Statement of Net Position as "Cash". 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.

### **G. 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.

### **H. 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, 2013, 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)**

**I. 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.

**J. 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.

**K. 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 Position.

**L. Net Position**

Net position is the residual of all elements presented in the Statement of Financial Position (i.e., assets + deferred outflows - liabilities - deferred inflows). Net investment in capital assets represents capital assets reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction or improvement of those assets. Restricted net position represents restricted assets reduced by any related outstanding debt.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Property Taxes**

Property taxes are levied by the City on October 1<sup>st</sup> on property values assessed for that calendar year. The lien date is January 1<sup>st</sup>. The billings are mailed October 1<sup>st</sup> 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 1<sup>st</sup>, 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 2012 levy is \$1.000 per \$100 of assessed valuation, and the tax rate for the 2013 levy is \$1.3524 per \$100 of assessed valuation.

Property taxes for the 2013 levy are considered to be owed to the City as of the lien date on January 1, 2013. Therefore, the entire 2013 levy was recorded as a receivable and deferred revenue as of June 30, 2013.

**N. 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.

**O. 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.

**P. Events Occurring after Reporting Date**

The City has evaluated events and transactions that occurred between June 30, 2013, and October 31, 2013, 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, 2013, the carrying amount of the City's deposits was \$2,081,474 and the bank balance was \$2,248,003. 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 is classified as follows on the Statement of Net Position:

Cash	\$ 2,081,774
Less: petty cash	( 300)
Total	<u>\$ 2,081,474</u>

**NOTE 3 - PROPERTY TAXES RECEIVABLE - NET**

Property taxes were levied for 2013 at the rate of \$1.3524 per \$100 of assessed value and for 2012 at the rate of \$1.000 per \$100 of assessed value. Property taxes receivable as of June 30, 2013, including prior years unpaid taxes are composed of the following:

<u>Year of Levy</u>	<u>Amount</u>
2013	\$ 3,276,961
2012	187,673
2011	67,443
2010	19,539
2009	6,513
2008	-
2007	<u>2,341</u>
	3,560,470
Less: allowance for uncollectible taxes	<u>( 109,214)</u>
Property taxes receivable - net	<u>\$ 3,451,256</u>

**NOTE 4 - ACCOUNTS RECEIVABLE - NET**

Accounts receivable - net as of June 30, 2013, consists of the following:

	<u>General Fund</u>
Local beer tax	\$ 34,612
Cable franchise tax	26,445
Total	<u>\$ 61,057</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, 2013, consists of the following:

U.S. Department of Transportation	<u>\$ 10,618</u>
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**NOTE 6 - DUE FROM OTHER GOVERNMENTS**

Due from other governments as of June 30, 2013, consists of the following:

State business tax	\$ 15,961
State income tax	61,352
State street aid revenues	59,499
City streets and transportation revenues	4,340
State sales tax revenue	155,048
Local sales tax revenue	272,282
State mixed drink tax	<u>5,371</u>
	<u>\$ 573,853</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, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 409,970	\$ -	\$ -	\$ 409,970
Total capital assets not being depreciated	<u>409,970</u>	<u>-</u>	<u>-</u>	<u>409,970</u>
Capital assets being depreciated:				
Buildings	1,620,884	53,249	-	1,674,133
Equipment	4,190,220	611,025	(109,547)	4,691,698
Public improvements	293,569	174,917	-	468,486
Total capital assets being depreciated	<u>6,104,673</u>	<u>839,191</u>	<u>(109,547)</u>	<u>6,834,317</u>
Less: accumulated depreciation for:				
Buildings	730,161	55,504	-	785,665
Equipment	2,964,974	341,793	(109,547)	3,197,220
Public improvements	236,329	18,712	-	255,041
Total accumulated depreciation	<u>3,931,464</u>	<u>416,009</u>	<u>(109,547)</u>	<u>4,237,926</u>
Total capital assets being depreciated - net	<u>2,173,209</u>	<u>423,182</u>	<u>-</u>	<u>2,596,391</u>
Governmental activities capital assets - net	<u>\$ 2,583,179</u>	<u>\$ 423,182</u>	<u>\$ -</u>	<u>\$ 3,006,361</u>

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

General government	\$ 79,797
Public safety	260,907
Public works	48,232
Public welfare and recreation	<u>27,073</u>
Total	<u>\$ 416,009</u>

**NOTE 8 - DEFERRED REVENUE - PROPERTY TAXES**

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 as deferred inflows were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	<u>\$ 131,019</u>	<u>\$ 3,276,961</u>	<u>\$ 3,407,980</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 compensated absences, is summarized as follows:

	<u>Principal Balance</u>
Compensated absences	\$ 214,335
Less: current portion	<u>-</u>
Total governmental long-term debt	<u>\$ 214,335</u>

A summary of changes in long-term debt for the year ended June 30, 2013, is as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2013</u>	<u>Amount Due Within One Year</u>
Compensated absences	\$ 202,402	\$ 11,933	\$ -	\$ 214,335	\$ -
Less: current portion				<u>-</u>	
Total governmental long-term debt				<u>\$ 214,335</u>	

Interest paid during the year ended June 30, 2013, on governmental long-term debt was \$0.

**NOTE 10 - FUND BALANCE RELATED TO GASB STATEMENT 54**

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes standards for fund balance classifications for state and local governments and requires that resources be classified for accounting reporting purposes into the following fund balances:

**Restricted Fund Balance**

Fund balances reported as restricted in the accompanying financial statements represent amounts restricted to specific purposes by externally imposed restrictions or imposed by law through constitutional provisions or enabling legislation. Drug funds in the amount of \$25,442 are legally restricted for non-recurring police expenditures. State street aid funds in the amount of \$109,189 are legally restricted for state street aid expenditures. Fire hall funds in the amount of \$114,893 are externally restricted for fire hall expenditures.

**Unassigned Fund Balance**

In accordance with generally accepted accounting principles, the General Fund is the only fund at the City that reports amounts for unassigned fund balance. This classification represents fund balance that is not nonspendable and has not been committed to specific purposes within the General Fund.

**NOTE 11 - NET POSITION RESTRICTIONS**

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

- Drug funds in the amount of \$25,442 are legally restricted for non-recurring police expenditures.
- State Street Aid funds in the amount of \$109,189 are legally restricted for state street aid expenditures.
- Fire hall funds in the amount of \$114,893 are externally restricted for fire hall expenditures.

**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 Position:

The governmental funds Balance Sheet includes a reconciliation between fund balance - total governmental funds and net position - government activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that, “long-term liabilities, including compensated absences are not due and payable in the current period, and therefore, are not reported in the funds”. The details of this \$(214,335) difference are as follows:

Compensated absences	<u>\$( 214,335)</u>
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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 position 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 \$423,182 difference are as follows:

Depreciation expense	\$( 416,009)
Capital outlay	<u>839,191</u>
Net adjustment	<u>\$ 423,182</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. Soddy-Daisy has authorized Mandatory Retirement for its Public Safety Officers. Public Safety Officers can retire at age 55 with five years of service or at any age with 25 years of service and receive a supplemental bridge payment between the mandatory retirement age and 62. 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, 2013, was 12.28% 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, 2013, Soddy-Daisy's annual pension cost of \$293,685 to TCRS was equal to Soddy-Daisy's required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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 3.0 percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 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 ten-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, 2011 was 5 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$ 293,685	100.00%	\$0.00
June 30, 2012	\$ 230,756	100.00%	\$0.00
June 30, 2011	\$ 214,815	100.00%	\$0.00

**Funded Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the plan was 92.69 percent funded. The actuarial accrued liability for benefits was \$6.23 million, and the actuarial value of assets was \$5.78 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.46 million. The covered payroll (annual payroll of active employees covered by the plan) \$2.14 million, and the ratio of the UAAL to the covered payroll was 21.26 percent.

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

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
July 01, 2011	\$ 5,775	\$ 6,231	\$ 455	92.69%	\$ 2,142	21.26%

**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:

Buildings and personal property	\$ 8,546,197	
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
	\$ 300,000	per property
	\$ 1,000,000	each other loss -
		per occurrence
Automobile liability	\$ 300,000	per person
	\$ 700,000	per occurrence
	\$ 300,000	per property

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.

**NOTE 17 - RISK MANAGEMENT POOL (Continued)**

The responsibilities of the City are as follows: (Continued)

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, 2013. No provisions have been made in the financial statements for the year ended June 30, 2013, 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, 2013**

**Required Supplementary Information**

(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, 2011	\$ 5,775	\$ 6,231	\$ 455	92.69%	\$ 2,142	21.26%
July 01, 2009	\$ 4,590	\$ 5,103	\$ 513	89.94%	\$ 2,110	24.33%
July 01, 2007	\$ 4,102	\$ 4,665	\$ 563	87.93%	\$ 1,812	31.07%

**OTHER SUPPLEMENTARY INFORMATION**

## NON-MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

**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**  
**Balance Sheet**  
**June 30, 2013**

	<b>Drug Fund</b>
<b>ASSETS</b>	
Cash	\$ 25,615
<b>TOTAL ASSETS</b>	\$ 25,615
 <b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities</b>	
Accounts payable	\$ 173
Total liabilities	173
 <b>Fund Balances</b>	
Restricted	25,442
Total fund balances	25,442
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 \$ 25,615

**CITY OF SODDY - DAISY, TENNESSEE**  
**Non-major Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2013**

	<u><b>Drug Fund</b></u>
<b>REVENUES</b>	
Fines and forfeitures	\$ 37,110
Other revenues	<u>1,242</u>
<b>TOTAL REVENUES</b>	<u>38,352</u>
<b>EXPENDITURES</b>	
<b>Current expenditures</b>	
Public safety	20,259
<b>Capital outlay</b>	<u>20,000</u>
<b>TOTAL EXPENDITURES</b>	<u>40,259</u>
Excess (deficiency) of revenues over (under) expenditures	(1,907)
<b>Fund balances - beginning</b>	<u>27,349</u>
<b>Fund balances - end</b>	<u>\$ 25,442</u>

**CITY OF SODDY-DAISY, TENNESSEE**  
**Drug Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>REVENUES</b>				
Fines and forfeitures				
Court fines and forfeitures	\$ 90,000	\$ 90,000	\$ 37,110	\$ (52,890)
Other revenues				
Miscellaneous	-	-	1,242	1,242
<b>TOTAL REVENUES</b>	<u>90,000</u>	<u>90,000</u>	<u>38,352</u>	<u>(51,648)</u>
<b>EXPENDITURES</b>				
<b>Current expenditures</b>				
Public safety				
Drug enforcement	25,000	25,000	7,500	17,500
Repairs and maintenance	5,000	5,000	60	4,940
Operating supplies	5,000	5,000	12,304	(7,304)
Miscellaneous	5,000	5,000	395	4,605
Total public safety	<u>40,000</u>	<u>40,000</u>	<u>20,259</u>	<u>19,741</u>
Capital outlay				
Public safety	<u>75,000</u>	<u>75,000</u>	<u>20,000</u>	<u>55,000</u>
<b>TOTAL EXPENDITURES</b>	<u>115,000</u>	<u>115,000</u>	<u>40,259</u>	<u>74,741</u>
Excess (deficiency) of revenues over (under) expenditures	(25,000)	(25,000)	(1,907)	23,093
<b>Fund balances - beginning</b>	<u>27,349</u>	<u>27,349</u>	<u>27,349</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 2,349</u>	<u>\$ 2,349</u>	<u>\$ 25,442</u>	<u>\$ 23,093</u>

**FINANCIAL SCHEDULES**

**CITY OF SODDY-DAISY, TENNESSEE**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2013**

<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, 2012</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>(Accrued) Deferred Grant Revenues June 30, 2013</u>
<b>FEDERAL</b>						
U.S. Department of Health and Human Services/ Southeast Tennessee Development District Senior Center Grant - Title III	13.633	-	\$ -	\$ 7,274	\$ 7,274	\$ -
U.S. Department of Transportation Highway Planning and Construction	20.205	STP-M-9208(6)	-	62,365	72,983	(10,618)
Highway Planning and Construction	20.205	STP-M-3630(10)	-	6,817	6,817	-
Department of Transportation Highway Safety Grant - Traffic Communication	20.607	Z-12-GHS267	-	1,660	1,660	-
Chattanooga Area Network Coordinator	20.600	Z-13-GHS286	-	6,606	6,606	-
Alcohol Countermeasures	20.607	Z-13-GHS287	-	3,206	3,206	-
U.S. Department of Housing and Urban Dev. Tennessee Dept. of Economic and Comm. Dev. Sewer line extension	14.228	GG-12-38888	-	164,782	164,782	-
U.S. Department of Homeland Security Tennessee Bureau of Investigation Overtime	97.000	TBI-BU34800	-	804	804	-
Total federal awards			<u>\$ -</u>	<u>\$ 253,514</u>	<u>\$ 264,132</u>	<u>\$ (10,618)</u>

**CITY OF SODDY-DAISY, TENNESSEE**  
**Notes to the Schedule of Federal Awards**  
**Year Ended June 30, 2013**

**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**  
**Solid Waste Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
<b>EXPENDITURES</b>				
<b>Current expenditures</b>				
Public works				
Contracted services	\$ 530,000	\$ 530,000	\$ 454,380	\$ 75,620
<b>TOTAL EXPENDITURES</b>	<u>530,000</u>	<u>530,000</u>	<u>454,380</u>	<u>75,620</u>
Excess (deficiency) of revenues over (under) expenditures	(530,000)	(530,000)	(454,380)	75,620
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	<u>530,000</u>	<u>530,000</u>	<u>454,380</u>	<u>(75,620)</u>
Net changes in fund balances	-	-	-	-
<b>Fund balances - beginning</b>	<u>548</u>	<u>548</u>	<u>548</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 548</u>	<u>\$ 548</u>	<u>\$ 548</u>	<u>\$ -</u>

**CITY OF SODDY-DAISY, TENNESSEE**  
**Schedule of Property Taxes Receivable**  
**General Fund**  
**June 30, 2013**

Year of Levy

2013	\$ 3,276,961
2012	187,673
2011	67,443
2010	19,539
2009	6,513
2008	-
2007	2,341
2006	-
2005	-
2004	-
	<hr/>
Total property taxes receivable	3,560,470
Less: allowance for uncollectible taxes	<u>(109,214)</u>
	<hr/>
Net property taxes receivable	<u>\$ 3,451,256</u>

**CITY OF SODDY-DAISY, TENNESSEE**  
**Schedule of Changes in Property Taxes Receivable**  
**General Fund**  
**Year Ended June 30, 2013**

	Taxes Receivable July 1, 2012	Taxes Levied	Pickups	Collections	Error/ Releases	Taxes Receivable June 30, 2013
2013	\$ -	\$ 3,276,961	\$ -	\$ -	\$ -	\$ 3,276,961
2012	2,372,000	-	53,054	(2,231,725)	(5,656)	187,673
2011	184,040	-	-	(116,597)	-	67,443
2010	37,808	-	-	(18,269)	-	19,539
2009	18,733	-	-	(12,220)	-	6,513
2008	-	-	1,637	(1,637)	-	-
2007	2,681	-	-	(340)	-	2,341
2006	-	-	-	-	-	-
2005	-	-	78	(78)	-	-
2004	-	-	-	-	-	-
Total	<u>\$ 2,615,262</u>	<u>\$ 3,276,961</u>	<u>\$ 54,769</u>	<u>\$ (2,380,866)</u>	<u>\$ (5,656)</u>	<u>\$ 3,560,470</u>

**CITY OF SODDY-DAISY, TENNESSEE**  
**Tax Rates and Assessed Valuation Applicable to the Last Ten Years and**  
**Uncollected Delinquent Accounts**  
**June 30, 2013**

<u>Year of Levy</u>	<u>Tax Rate Per \$100</u>	<u>Assessed Valuation</u>	<u>Levy</u>
2013	\$1.3524/\$100	\$ 242,307,100	\$ 3,276,961
2012	\$1.000/\$100	\$ 226,778,071	\$ 2,267,781
2011	\$1.000/\$100	\$ 227,790,734	\$ 2,277,907
2010	\$.686/\$100	\$ 226,402,335	\$ 1,553,120
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

**Uncollected Delinquent Accounts**

The City of Soddy-Daisy has filed all delinquent taxes with the Hamilton County Trustee for collection as of June 30, 2013.

**CITY OF SODDY-DAISY, TENNESSEE**  
**Schedule of Insurance**  
**June 30, 2013**

<b>General Fund</b>	<u>Expiration</u>	<u>Amount</u>	
<b>TML Pool:</b>			
Buildings and personal property	7-01-13	\$ 8,546,197	
Workmen's compensation	7-01-13	\$ 300,000	per accident
		\$ 700,000	policy limit
		\$ 300,000	per person
General and personal injury liability	7-01-13	\$ 300,000	per person
		\$ 700,000	per occurrence
		\$ 300,000	per property
		\$ 1,000,000	each other loss per occurrence
Automobile liability	7-01-13	\$ 300,000	per person
		\$ 700,000	per occurrence
		\$ 300,000	per property

### **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***

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited 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, the financial statements of the governmental activities, the major fund and the remaining fund information of the City of Soddy-Daisy, Tennessee as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Soddy-Daisy, Tennessee's basic financial statements, and have issued our report thereon dated October 31, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Soddy-Daisy, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Soddy-Daisy, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Soddy-Daisy, Tennessee'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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as 13-1 that we consider to be a significant deficiency.

**Compliance and Other Matters**

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

**City of Soddy Daisy's Response to Findings**

The City of Soddy-Daisy, Tennessee's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City of Soddy-Daisy, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Chattanooga, Tennessee  
October 31, 2013

*Johnson, Murphey & Wright, P.C.*

**CITY OF SODDY-DAISY, TENNESSEE**  
**Schedule of Findings and Responses**  
**June 30, 2013**

**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 one significant deficiency in internal controls was disclosed.

**Material Noncompliance:**

No instances of compliance or other matters were disclosed.

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

**INTERNAL CONTROL:**

**Finding 13-1 - Approvals and Documentation (repeat 12-2)**

**Criteria:**

*Government Auditing Standards* Chapter A.06(h) states that, "inadequate controls for the safeguarding of assets," is a control deficiency.

**Condition:**

Odometer readings are not being entered correctly at the fueling station.

**Cause:**

Discrepancies between the fueling station and fuel log amounts were not reviewed.

**Effect:**

Without examining fuel discrepancies, improper payments could be expensed to the City.

**Management's Response:**

We concur. We will make every effort to correct the area as noted.

**CITY OF SODDY-DAISY, TENNESSEE**  
**Schedule of Prior Year Findings**  
**June 30, 2013**

**INTERNAL CONTROL:**

**Finding 12-1 - Accounting Expertise**

Corrected.

**Finding 12-2 - Approvals and Documentation**

Still in effect.

**COMPLIANCE:**

None.