CITY OF SODDY-DAISY, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

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

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I. INTRODUCTORY SECTION

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CITY OF SODDY-DAISY, TENNESSEE
City Officials
June 30, 2014

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

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II. FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the 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, 2014, 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, 2014, 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 and TCRS Schedule of Funding Progress 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The individual non-major fund financial statements, financial schedules and the Schedule of Expenditures of Federal Awards 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, financial schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014, 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
November 10, 2014

Johnson, Murphey & 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, 2014. 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, 2014, by $7,212,107 (net position). Of this amount $3,695,451 (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 $1,664,423.

As of the close of the current fiscal year, the City of Soddy-Daisy, Tennessee's governmental funds reported combined ending fund balances of $4,061,328. Of that amount, $300,569 is restricted for a specific purpose. The remaining 92.60% or $3,760,759 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 $3,760,759, or 55.14%, of total General Fund expenditures, excluding transfers.

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 $7,212,107 at the close of this fiscal year.

The largest portion of the City of Soddy-Daisy, Tennessee's net position (44.59 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, and public improvements), less any debt used to acquire those assets that is still outstanding. The City of Soddy-Daisy, Tennessee uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Soddy-Daisy, Tennessee's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 4.17%, or $300,569, 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 $3,695,451 of unrestricted net position may be used to meet the government's ongoing obligations to its citizens and creditors.

At June 30, 2014, 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

	Governmental Activities	
	2014	2013
Capital assets	$ 3,216,087	$ 3,006,361
Other assets	7,741,316	6,178,558
Total assets	$ 10,957,403	$ 9,184,919
Long-term liabilities	$ 237,208	$ 214,335
Other liabilities	170,738	145,939
Total liabilities	$ 407,946	$ 360,274
Deferred inflows of resources	$ 3,337,350	$ 3,276,961
Net investment in capital assets	$ 3,216,087	$ 3,006,361
Restricted	300,569	249,524
Unrestricted	3,695,451	2,291,799
Total net position	$ 7,212,107	$ 5,547,684

Change in Net Position
Governmental activities increased the City of Soddy-Daisy, Tennessee's net position by $1,664,423.

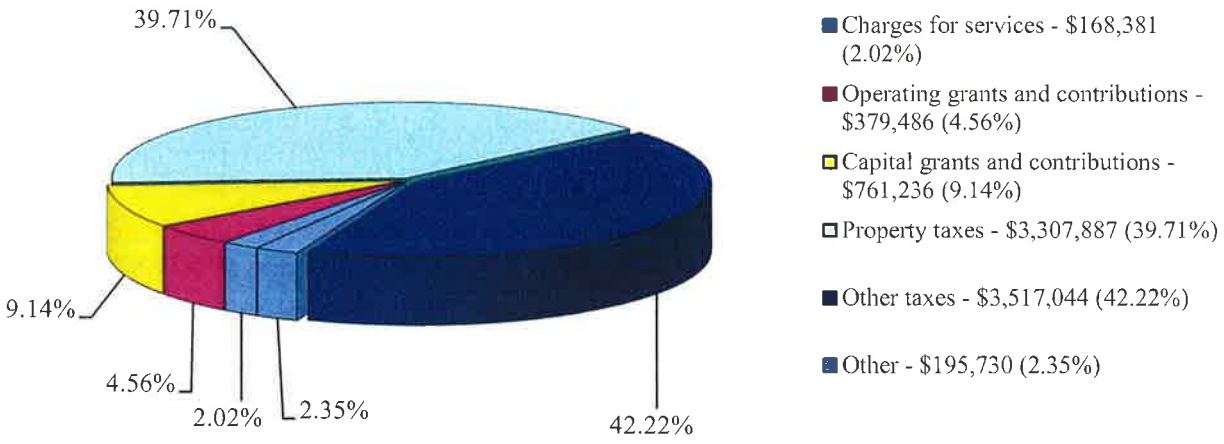
The table below provides a summary of the City's net position.

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

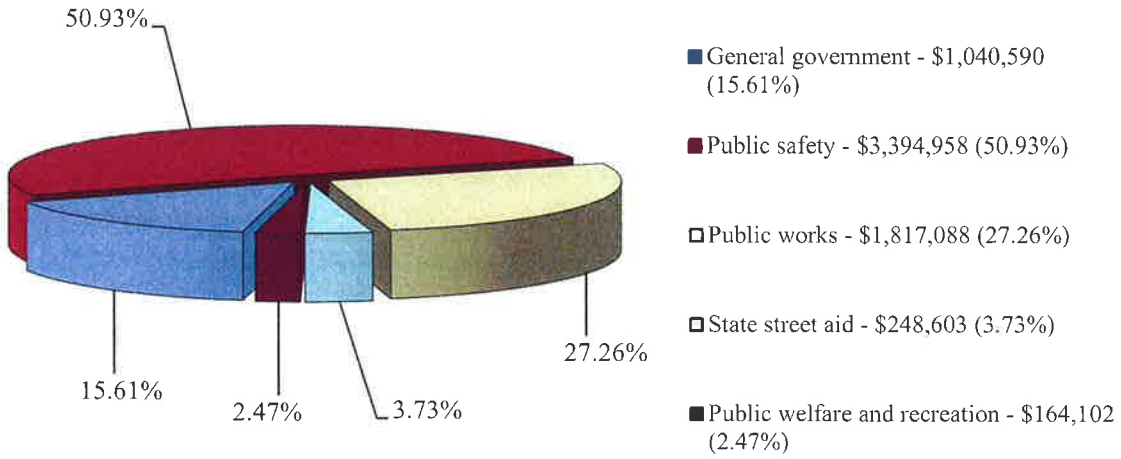
	Governmental Activities	
	2014	2013
Revenues:		
Program revenues:		
Charges for services	$ 168,381	$ 205,791
Operating grants and contributions	379,486	378,165
Capital grants and contributions	761,236	256,054
General revenues:		
Property taxes	3,307,887	2,380,389
Other taxes	3,517,044	3,506,843
Other	195,730	144,074
Total revenues	8,329,764	6,871,316
Expenses:		
General government	1,040,590	939,359
Public safety	3,394,958	3,075,147
Public works	1,817,088	1,756,465
State street aid	248,603	354,965
Public welfare and recreation	164,102	145,982
Total expenses	6,665,341	6,271,918
Change in net position	1,664,423	599,398
Net position - beginning	5,547,684	4,948,286
Net position - end	$ 7,212,107	$ 5,547,684

The graphs below summarize the $8,329,764 of City-wide revenues by source and the associated $6,665,341 of expense by program.

City-Wide Sources of Revenue

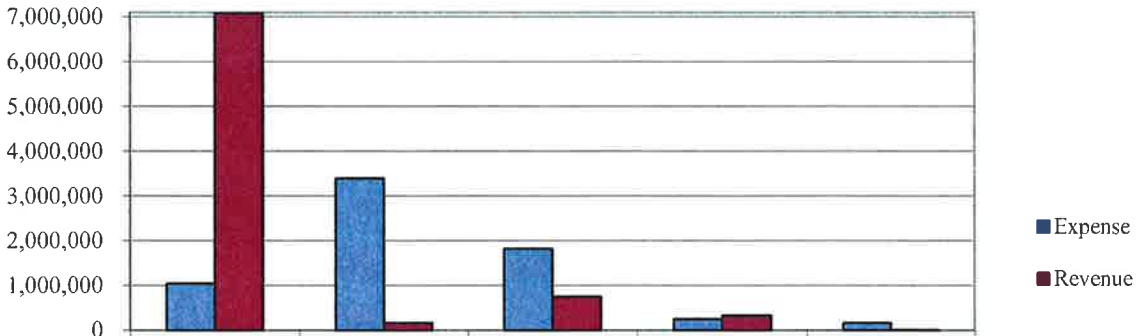


City-Wide Program Expenses



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



	General government	Public safety	Public works	State street aid	Public welfare and recreation
Expense	1,040,590	3,394,958	1,817,088	248,603	164,102
Revenue	7,084,727	158,469	750,501	328,938	7,129

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 $4,061,328. Of this total amount, $3,760,759, or 92.60%, constitutes unassigned fund balance. The remaining $300,569 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 $3,760,759. 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 55.14% of total fund expenditures, excluding transfers.

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 $250,000 and to increase General Fund budgeted expenditures by $1,020,000. 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, 2014, amounts to $3,216,087 (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

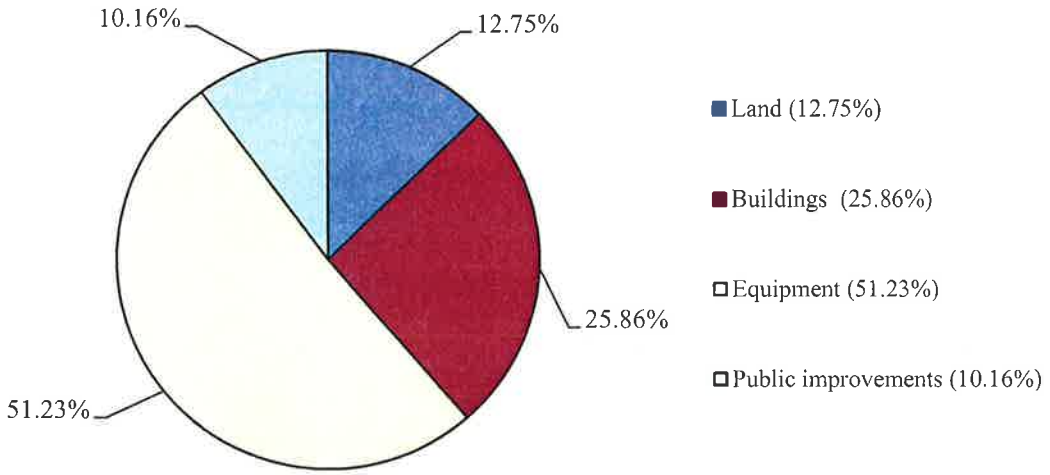
Sequoyah traffic signals	$ 276,020
Dayton Pike turn lane extension	$ 140,131
2015 Ford F-750 dump truck	$ 80,600
2 boom mowers	$ 80,683
2014 Ford Explorer	$ 26,036

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

	Governmental Activities	
	2014	2013
Land	$ 409,970	$ 409,970
Buildings	831,633	888,468
Equipment	1,647,590	1,494,478
Public improvements	326,894	213,445
	$ 3,216,087	$ 3,006,361

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

City-Wide Capital Assets



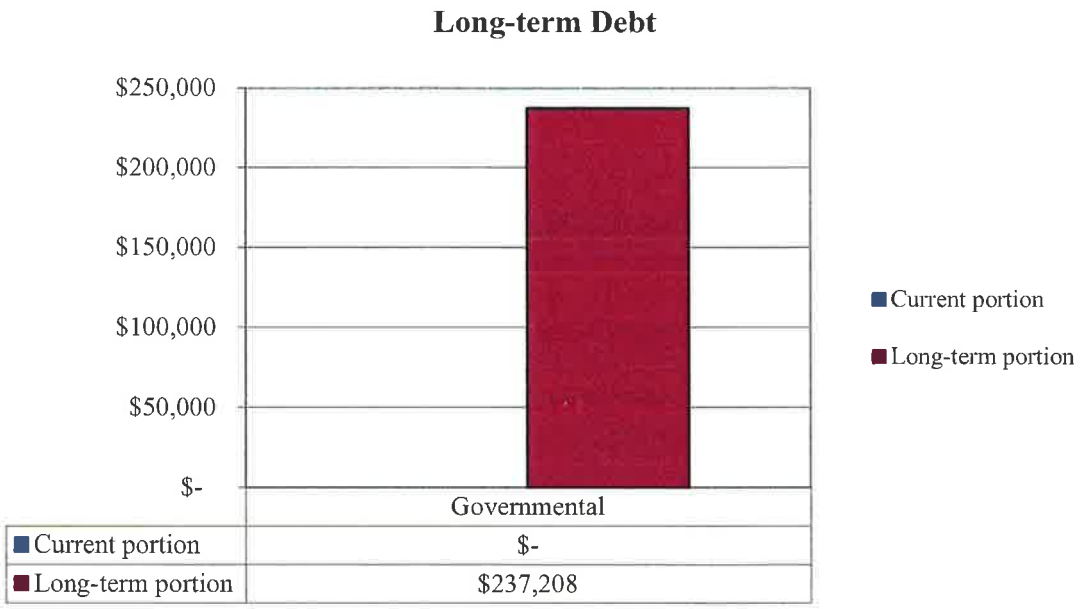
Additional information on the City of Soddy-Daisy, Tennessee's capital assets can be found in Note 7 on page 33 of this report.

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 $237,208. Of that amount, $0 is due in the next fiscal year.

	Governmental Activities	
	2014	2013
Compensated absences	$ 237,208	$ 214,335
Less current portion	-	-
Long-term debt	$ 237,208	$ 214,335

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 local sales tax remained steady and is expected to continue the next fiscal year. There are various commercial sites available around the City, hopefully, these properties will develop and broaden the City's tax base. The Board of Commissioners approved the purchase of 285 acres of wilderness land with plans to leave it in its natural state for $1,150,000 and took on a 3-year $950,000 note with annual payments totaling approximately $316,667, plus interest.

Demands on the police department due to a continual increase in population as well as other factors require more funds to handle the additional call volume on a daily basis and due to this, the City hired additional personnel in the police department for the fiscal year 2014-2015. 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 has increased staffing for the fire department for the fiscal year 2014-2015, which in turn will reduce the need for volunteers during daytime hours. 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 current tax base will provide adequate 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.

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BASIC FINANCIAL STATEMENTS

CITY OF SODDY-DAISY, TENNESSEE
Statement of Net Position
June 30, 2014

	Primary Government Governmental Activities
ASSETS	
Cash	$ 3,496,085
Property tax receivable - net	3,569,419
Accounts receivable - net	82,678
Grants receivable	2,389
Due from other governments	590,745
Capital assets:	
Land	409,970
Other capital assets - net of accumulated depreciation	2,806,117
TOTAL ASSETS	$ 10,957,403
LIABILITIES	
Accounts payable	$ 90,593
Accrued liabilities	78,145
Unearned revenue	2,000
Non-current liabilities:	
Compensated absences	237,208
TOTAL LIABILITIES	$ 407,946
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue - property taxes	$ 3,337,350
NET POSITION	
Net investment in capital assets	$ 3,216,087
Restricted for:	
State street aid expenditures	80,335
Non-recurring police expenditures	26,034
Fire hall expenditures	194,200
Unrestricted	3,695,451
TOTAL NET POSITION	$ 7,212,107

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

CITY OF SODDY-DAISY, TENNESSEE
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government: Governmental Activities
Primary Government:					
Governmental activities:					
General government	$ 1,040,590	$ 64,066	$ -	$ -	$ (976,524)
Public safety	3,394,958	104,315	17,400	36,754	(3,236,489)
Public works	1,817,088	-	26,019	724,482	(1,066,587)
State street aid	248,603	-	328,938	-	80,335
Public welfare and recreation	164,102	-	7,129	-	(156,973)
Total governmental activities	$ 6,665,341	$ 168,381	$ 379,486	$ 761,236	(5,356,238)
General Revenues:					
Property tax					3,307,887
Local sales tax					1,659,575
Other state taxes					1,143,528
Wholesale beer tax					403,335
Privilege tax					112,822
Cable TV franchise tax					197,784
Sale of assets					11,310
Interest revenue					55,215
Other revenues					129,205
Total general revenues					7,020,661
Change in net position					1,664,423
Net position - beginning					5,547,684
Net position - end					$ 7,212,107

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

CITY OF SODDY-DAISY, TENNESSEE
Governmental Funds
Balance Sheet
June 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	$ 3,469,953	$ 26,132	$ 3,496,085
Property taxes receivable - net	3,569,419	-	3,569,419
Accounts receivable - net	82,678	-	82,678
Grants receivable	2,389	-	2,389
Due from other governments	590,745	-	590,745
TOTAL ASSETS	$ 7,715,184	$ 26,132	$ 7,741,316
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 90,495	$ 98	$ 90,593
Accrued liabilities	78,145	-	78,145
Unearned revenue	2,000	-	2,000
Total liabilities	170,640	98	170,738
Deferred Inflows of Resources			
Deferred revenue - property taxes	3,509,250	-	3,509,250
Fund Balances			
Restricted	274,535	26,034	300,569
Unassigned	3,760,759	-	3,760,759
Total fund balances	4,035,294	26,034	4,061,328
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 7,715,184	$ 26,132	$ 7,741,316

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, 2014

Total fund balances per governmental funds Balance Sheet	$ 4,061,328
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,216,087
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(237,208)
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.	171,900
Net position of governmental activities	$ 7,212,107

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, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	$ 5,640,522	$ -	$ 5,640,522
Licenses and permits	49,415	-	49,415
Intergovernmental	2,284,250	-	2,284,250
Charges for services	19,851	-	19,851
Fines and forfeitures	94,030	9,615	103,645
Other revenues	145,336	5,326	150,662
TOTAL REVENUES	8,233,404	14,941	8,248,345
EXPENDITURES			
Current Expenditures			
General government	959,497	-	959,497
Public safety	3,086,319	29,216	3,115,535
Public works	1,366,392	-	1,366,392
State street aid	248,603	-	248,603
Public welfare and recreation	127,048	-	127,048
Capital outlay	1,033,025	2,095	1,035,120
TOTAL EXPENDITURES	6,820,884	31,311	6,852,195
Excess (deficiency) of revenues over (under) expenditures	1,412,520	(16,370)	1,396,150
OTHER FINANCING SOURCES (USES)			
Transfer in	-	16,962	16,962
Transfer out	(16,962)	-	(16,962)
Sale of capital assets	11,310	-	11,310
Insurance recoveries	29,229	-	29,229
Total other financing sources (uses)	23,577	16,962	40,539
Net changes in fund balances	1,436,097	592	1,436,689
Fund balances - beginning	2,599,197	25,442	2,624,639
Fund balances - end	$ 4,035,294	$ 26,034	$ 4,061,328

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, 2014

Net changes in fund balances for total governmental funds	$ 1,436,689
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 and loss on disposal in the current period.	209,726
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	40,881
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:	
(Increase) decrease in compensated absences	(22,873)
Change in net position of governmental activities	$ 1,664,423

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, 2014

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Taxes				
Property tax	$ 2,285,000	$ 2,285,000	$ 3,267,006	$ 982,006
Local sales tax	1,560,000	1,560,000	1,659,575	99,575
Wholesale beer tax	350,000	350,000	396,856	46,856
Privilege tax	65,000	65,000	112,822	47,822
Mixed drink tax	7,500	7,500	6,479	(1,021)
Cable TV franchise tax	160,000	160,000	197,784	37,784
Total taxes	4,427,500	4,427,500	5,640,522	1,213,022
Licenses and permits				
Building permits	20,000	20,000	29,704	9,704
Electrical permits	5,500	5,500	8,015	2,515
Other permits	9,500	9,500	11,696	2,196
Total licenses and permits	35,000	35,000	49,415	14,415
Intergovernmental				
Federal grants	1,692,000	1,942,000	768,365	(1,173,635)
State shared revenue:				
Sales tax allocation	860,000	860,000	909,648	49,648
Income tax allocation	35,000	35,000	87,201	52,201
TVA in lieu of tax	130,000	130,000	140,663	10,663
Beer tax allocation	6,200	6,200	6,016	(184)
Streets and transportation funds	25,000	25,000	26,019	1,019
State gas and motor fuel tax	315,000	315,000	328,938	13,938
Other state and local	-	-	17,400	17,400
Total intergovernmental	3,063,200	3,313,200	2,284,250	(1,028,950)
Charges for services				
Business fees	6,000	6,000	14,651	8,651
Other charges	500	500	5,200	4,700
Total charges for services	6,500	6,500	19,851	13,351
Fines and forfeitures				
Court fines and forfeitures	115,000	115,000	94,030	(20,970)

(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, 2014

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES (Continued)				
Other revenues				
Interest revenue	$ 6,000	$ 6,000	$ 55,215	$ 49,215
Donations	-	-	80,247	80,247
Other revenues	1,000	1,000	9,874	8,874
Total other revenues	7,000	7,000	145,336	138,336
TOTAL REVENUES	7,654,200	7,904,200	8,233,404	329,204
EXPENDITURES				
Current Expenditures				
General government				
Finance and administration				
Salaries	270,000	270,000	257,646	12,354
Payroll taxes	22,000	22,000	19,282	2,718
Employee benefits	66,000	66,000	52,821	13,179
Commissions	-	-	64,414	(64,414)
Contract services	33,000	33,000	49,878	(16,878)
Dues and subscriptions	10,000	10,000	8,270	1,730
Insurance	208,000	208,000	194,900	13,100
Office supplies and expenses	17,300	17,300	11,643	5,657
Operating supplies	30,000	30,000	29,790	210
Professional services	46,000	46,000	34,998	11,002
Repairs and maintenance	29,000	29,000	28,407	593
Telephone	14,000	14,000	3,923	10,077
Training and travel	8,500	8,500	4,712	3,788
Vehicle expense	7,000	7,000	1,709	5,291
Miscellaneous	637,650	1,309,450	26,682	1,282,768
Total finance and administration	1,398,450	2,070,250	789,075	1,281,175
Judicial				
Salaries	91,000	91,000	85,005	5,995
Payroll taxes	7,000	7,000	6,279	721
Employee benefits	13,800	13,800	10,686	3,114
Fees for officials	8,500	8,500	5,600	2,900
Office supplies and expenses	2,500	2,500	1,360	1,140
Professional services	20,000	20,000	22,247	(2,247)
Repairs and maintenance	1,000	1,000	-	1,000
Miscellaneous	2,000	2,000	1,093	907
Total judicial	145,800	145,800	132,270	13,530

(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, 2014

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
General government (Continued)				
Buildings				
Repairs and maintenance	$ 95,000	$ 95,000	$ 12,012	$ 82,988
Operating supplies	6,000	6,000	1,602	4,398
Utilities	32,000	32,000	23,863	8,137
Miscellaneous	2,200	2,200	675	1,525
Total buildings	135,200	135,200	38,152	97,048
Total general government	1,679,450	2,351,250	959,497	1,391,753
Public safety				
Police department				
Salaries	1,625,000	1,674,000	1,699,475	(25,475)
Payroll taxes	125,000	127,000	122,262	4,738
Dues and subscriptions	14,000	14,000	6,013	7,987
Contract services	1,000	1,000	-	1,000
Employee benefits	519,000	524,000	487,001	36,999
Office supplies and expenses	9,000	9,000	5,561	3,439
Operating supplies	70,000	70,000	36,208	33,792
Repairs and maintenance	37,000	37,000	34,873	2,127
Telephone and communications	24,400	24,400	26,919	(2,519)
Training and travel	20,000	27,000	21,769	5,231
Utilities	2,000	2,000	1,686	314
Vehicle expense	195,000	195,000	123,542	71,458
Miscellaneous	5,000	5,000	1,812	3,188
Total police department	2,646,400	2,709,400	2,567,121	142,279

(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, 2014

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public safety (Continued)				
Fire department				
Salaries	$ 317,100	$ 317,100	$ 239,220	$ 77,880
Payroll taxes	24,500	24,500	17,695	6,805
Employee benefits	65,500	65,500	55,929	9,571
Volunteer stipend	25,000	25,000	5,610	19,390
Dues and subscriptions	500	500	275	225
Operating supplies	35,000	35,000	28,252	6,748
Repairs and maintenance	67,000	67,000	65,932	1,068
Service fees	10,000	10,000	10,000	-
Telephone and communications	19,500	19,500	18,127	1,373
Training and travel	20,000	20,000	16,056	3,944
Utilities	37,000	37,000	21,648	15,352
Vehicle expense	43,000	43,000	39,418	3,582
Miscellaneous	5,000	5,000	1,036	3,964
Total fire department	669,100	669,100	519,198	149,902
Total public safety	3,315,500	3,378,500	3,086,319	292,181
Public works				
Street department				
Salaries	555,000	594,500	543,951	50,549
Payroll taxes	43,000	46,000	38,107	7,893
Contract services	2,000	2,000	4,288	(2,288)
Dues and subscriptions	1,000	1,000	105	895
Employee benefits	185,200	200,700	180,087	20,613
Equipment rental	40,000	40,000	29,221	10,779
Operating supplies	21,000	21,000	20,875	125
Repairs and maintenance	80,000	80,000	51,808	28,192
Telephone and communications	-	-	796	(796)
Training and travel	2,000	2,000	1,197	803
Utilities	34,000	34,000	28,213	5,787
Vehicle expense	-	-	700	(700)
Miscellaneous	2,000	2,000	660	1,340
Total street department	965,200	1,023,200	900,008	123,192

(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, 2014

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public works (Continued)				
Solid waste				
Contracted services	$ 480,000	$ 480,000	$ 466,384	$ 13,616
Total public works	1,445,200	1,503,200	1,366,392	136,808
State street aid				
Operating supplies	44,000	44,000	26,239	17,761
Repairs and maintenance	2,000	2,000	-	2,000
Street repair	234,000	234,000	67,910	166,090
Telephone and communications	9,000	9,000	2,144	6,856
Utilities	65,000	65,000	58,606	6,394
Vehicle expense	110,000	110,000	93,493	16,507
Miscellaneous	1,000	1,000	211	789
Total state street aid	465,000	465,000	248,603	216,397
Public welfare and recreation				
Senior Center				
Salaries	37,700	39,200	38,310	890
Payroll taxes	2,850	3,850	2,885	965
Employee benefits	10,200	11,200	9,443	1,757
Repairs and maintenance	1,500	1,500	74	1,426
Operating supplies	1,000	7,000	5,209	1,791
Telephone and communications	-	700	602	98
Utilities	8,500	8,500	7,294	1,206
Miscellaneous	1,300	1,300	275	1,025
Total Senior Center	63,050	73,250	64,092	9,158
Animal control				
Animal care	65,000	65,000	62,956	2,044
Total public welfare and recreation	128,050	138,250	127,048	11,202

(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, 2014

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
EXPENDITURES (Continued)				
Capital outlay				
General government	$ 55,000	$ 55,000	$ 49,079	$ 5,921
Public safety	326,000	343,000	19,108	323,892
Public works	2,310,000	2,510,000	962,137	1,547,863
Public welfare and recreation	-	-	2,701	(2,701)
Total capital outlay	2,691,000	2,908,000	1,033,025	1,874,975
TOTAL EXPENDITURES	9,724,200	10,744,200	6,820,884	3,923,316
Excess (deficiency) of revenues over (under) expenditures	(2,070,000)	(2,840,000)	1,412,520	4,252,520
OTHER FINANCING SOURCES (USES)				
Transfer out	-	-	(16,962)	(16,962)
Sale of capital assets	5,000	5,000	11,310	6,310
Insurance recoveries	4,000	4,000	29,229	25,229
Total other financing sources (uses)	9,000	9,000	23,577	14,577
Net changes in fund balances	(2,061,000)	(2,831,000)	1,436,097	4,267,097
Fund balances - beginning	2,599,197	2,599,197	2,599,197	-
Fund balances - end	$ 538,197	$ (231,803)	$ 4,035,294	$ 4,267,097

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

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, 2014, 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus - Basis of Accounting (Continued)

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.

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 1st. The operating budget includes proposed expenditures and the means of financing them. Budgets are adopted in accordance with GAAP and, therefore, no adjustments are necessary to convert to the actual GAAP data from budgetary basis. Prior to July 1st, the budget is legally enacted through passage of an ordinance.

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

During the year, supplementary appropriations were necessary. The effect of these amendments was to increase General Fund budgeted revenues by $250,000 and to increase General Fund budgeted expenditures by $1,020,000.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2014, 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.

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:

Asset Class	Years
Buildings	5-40
Equipment	3-40
Public improvements	15-25

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Entity has no items that qualify for reporting as a deferred outflow of resources.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. Accordingly, the item, deferred revenue - property tax, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Property Taxes

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

Property taxes are recognized on the modified accrual basis on the governmental fund financial statements. Proper allowances are made for estimated uncollectible accounts and delinquent accounts when necessary. The tax rate for the 2013 levy is $1.3524 per $100 of assessed valuation, and the tax rate for the 2014 levy is $1.3524 per $100 of assessed valuation.

Property taxes for the 2014 levy are considered to be owed to the City as of the lien date on January 1, 2014. Therefore, the entire 2014 levy was recorded as a receivable and deferred revenue as of June 30, 2014.

O. 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.

P. 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.

Q. Events Occurring after Reporting Date

The City has evaluated events and transactions that occurred between June 30, 2014, and November 10, 2014, 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, 2014, the carrying amount of the City's deposits was $3,495,785 and the bank balance was $3,749,834. 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	$ 3,496,085
Less: petty cash	(300)
Total	$ 3,495,785

NOTE 3 - PROPERTY TAXES RECEIVABLE - NET

Property taxes were levied for 2014 at the rate of $1.3524 per $100 of assessed value and for 2013 at the rate of $1.3524 per $100 of assessed value. Property taxes receivable as of June 30, 2014, including prior years unpaid taxes are composed of the following:

Year of Levy	Amount
2014	$ 3,337,350
2013	251,610
2012	63,869
2011	43,444
2010	7,504
2009	4,284
2008	-
2007	2,223
	3,710,284
Less: allowance for uncollectible taxes	(140,865)
Property taxes receivable - net	$ 3,569,419

NOTE 4 - ACCOUNTS RECEIVABLE - NET

Accounts receivable - net as of June 30, 2014, consists of the following:

	General Fund
Local beer tax	$ 37,727
Cable franchise tax	44,951
Total	$ 82,678

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, 2014, consists of the following:

U.S. Department of Transportation	$ 2,389

NOTE 6 - DUE FROM OTHER GOVERNMENTS

Due from other governments as of June 30, 2014, consists of the following:

State business tax	$ 3,036
State income tax	86,054
State street aid revenues	59,618
City streets and transportation revenues	4,331
State sales tax revenue	161,460
Local sales tax revenue	273,777
State mixed drink tax	2,469
	$ 590,745

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, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 409,970	$ -	$ -	$ 409,970
Total capital assets not being depreciated	409,970	-	-	409,970
Capital assets being depreciated:				
Buildings	1,674,133	-	-	1,674,133
Equipment	4,691,698	514,350	(102,711)	5,103,337
Public improvements	468,486	140,131	-	608,617
Total capital assets being depreciated	6,834,317	654,481	(102,711)	7,386,087
Less: accumulated depreciation for:				
Buildings	785,665	56,835	-	842,500
Equipment	3,197,220	358,336	(99,809)	3,455,747
Public improvements	255,041	26,682	-	281,723
Total accumulated depreciation	4,237,926	441,853	(99,809)	4,579,970
Total capital assets being depreciated - net	2,596,391	212,628	(2,902)	2,806,117
Governmental activities capital assets - net	$ 3,006,361	$ 212,628	$ (2,902)	$ 3,216,087

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

General government	$ 81,904
Public safety	261,963
Public works	65,744
Public welfare and recreation	32,242
Total	$ 441,853

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:

	Unavailable	Unearned	Total
Property taxes	$ 171,900	$ 3,337,350	$ 3,509,250

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:

	Principal Balance
Compensated absences	$ 237,208
Less: current portion	-
Total governmental long-term debt	$ 237,208

A summary of changes in long-term debt for the year ended June 30, 2014, is as follows:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Amount Due Within One Year
Compensated absences	$ 214,335	$ 22,873	$ -	$ 237,208	$ -
Less: current portion				-	
Total governmental long-term debt				$ 237,208	

Interest paid during the year ended June 30, 2014, 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 $26,034 are legally restricted for non-recurring police expenditures. State street aid funds in the amount of $80,335 are legally restricted for state street aid expenditures. Fire hall funds in the amount of $194,200 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:

State Street Aid funds in the amount of $80,335 are legally restricted for state street aid expenditures.

Drug funds in the amount of $26,034 are legally restricted for non-recurring police expenditures.

Fire hall funds in the amount of $194,200 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 $(237,208) difference are as follows:

Compensated absences	$ (237,208)

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 $209,726 difference are as follows:

Loss on disposal	$(2,902)
Depreciation expense	(441,853)
Capital outlay	654,481
Net adjustment	$ 209,726

NOTE 13 - TRANSFERS

During the year ended June 30, 2014, $16,962 was transferred from the General Fund to the Drug Fund to supplement operations.

NOTE 14 - MATERIAL COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS

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

NOTE 15 - 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 16 - 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, 15th 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, 2014, was 12.36% 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 16 - PENSION PLAN (Continued)

Annual Pension Cost

For the year ending June 30, 2014, Soddy-Daisy's annual pension cost of $336,504 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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	$ 336,504	100.00%	$0.00
June 30, 2013	$ 293,685	100.00%	$0.00
June 30, 2012	$ 230,756	100.00%	$0.00

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 78.87 percent funded. The actuarial accrued liability for benefits was $8.39 million, and the actuarial value of assets was $6.62 million, resulting in an unfunded actuarial accrued liability (UAAL) of $1.77 million. The covered payroll (annual payroll of active employees covered by the plan) $2.37 million, and the ratio of the UAAL to the covered payroll was 74.72 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)

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, 2013	$ 6,616	$ 8,388	$1,772	78.87%	$ 2,371	74.72%
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%

NOTE 17 - 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 18 - 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	$ 8,813,984	
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 18 - 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 party 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, 2014. No provisions have been made in the financial statements for the year ended June 30, 2014, for any estimate of potential unpaid claims.

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

CITY OF SODDY-DAISY, TENNESSEE
Tennessee Consolidated Retirement System
Schedule of Funding Progress
June 30, 2014

(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 1, 2013	$ 6,616	$ 8,388	$ 1,772	78.87%	$ 2,371	74.72%
July 1, 2011	$ 5,775	$ 6,231	$ 455	92.69%	$ 2,142	21.26%
July 1, 2009	$ 4,590	$ 5,103	$ 513	89.94%	$ 2,110	24.33%

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, 2014

	Drug Fund
ASSETS	
Cash	$ 26,132
TOTAL ASSETS	$ 26,132
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	$ 98
Total liabilities	98
Fund Balances	
Restricted	26,034
Total fund balances	26,034
TOTAL LIABILITIES AND FUND BALANCES	$ 26,132

CITY OF SODDY - DAISY, TENNESSEE
Non-major Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2014

	Drug Fund
REVENUES	
Fines and forfeitures	$ 9,615
Other revenues	5,326
TOTAL REVENUES	14,941
EXPENDITURES	
Current expenditures	
Public safety	29,216
Capital outlay	2,095
TOTAL EXPENDITURES	31,311
Excess (deficiency) of revenues over (under) expenditures	(16,370)
OTHER FINANCING SOURCES (USES)	
Transfer in	16,962
Net changes in fund balance	592
Fund balances - beginning	25,442
Fund balances - end	$ 26,034

CITY OF SODDY-DAISY, TENNESSEE
Drug Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Fines and forfeitures				
Court fines and forfeitures	$ 60,000	$ 60,000	$ 9,615	$ (50,385)
Other revenues				
Miscellaneous	-	-	5,326	5,326
TOTAL REVENUES	60,000	60,000	14,941	(45,059)
EXPENDITURES				
Current expenditures				
Public safety				
Consulting services	25,000	25,000	24,000	1,000
Repairs and maintenance	5,000	5,000	-	5,000
Operating supplies	5,000	5,000	5,216	(216)
Miscellaneous	5,000	5,000	-	5,000
Total public safety	40,000	40,000	29,216	10,784
Capital outlay				
Public safety	50,000	50,000	2,095	47,905
TOTAL EXPENDITURES	90,000	90,000	31,311	58,689
Excess (deficiency) of revenues over (under) expenditures	(30,000)	(30,000)	(16,370)	13,630
OTHER FINANCING SOURCE (USES)				
Transfer in	-	-	16,962	16,962
Net changes in fund balance	(30,000)	(30,000)	592	30,592
Fund balances - beginning	25,442	25,442	25,442	-
Fund balances - end	$ (4,558)	$ (4,558)	$ 26,034	$ 30,592

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FINANCIAL SCHEDULES

CITY OF SODDY-DAISY, TENNESSEE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-through Agency/Program Title	Federal CFDA Number	State Grant/Project Number	(Accrued) Deferred Grant Revenues June 30, 2013	Receipts	Expenditures	(Accrued) Deferred Grant Revenues June 30, 2014
FEDERAL						
U.S. Department of Health and Human Services/						
Southeast Tennessee Development District						
Senior Center Grant - Title III	13.633	-	$ -	$ 7,129	$ 7,129	$ -
U.S. Department of Transportation						
Highway Planning and Construction	20.205	STP-M-9208(9)	-	21,817	21,817	-
Highway Planning and Construction	20.205	STP-M-9208(6)	(10,618)	36,942	26,324	-
Highway Planning and Construction	20.205	STP-M-3630(10)	-	157,154	157,154	-
Highway Planning and Construction	20.205	STP-M-9208(8)	-	221,371	221,371	-
Highway Planning and Construction	20.205	STP-M-2162(10)	-	84,305	86,694	(2,389)
Highway Planning and Construction	20.205	STP-M-3162(10)	-	11,904	11,904	-
Total U.S. Department of Transportation			(10,618)	533,493	525,264	(2,389)
Department of Transportation						
Chattanooga Area Network Coordinator	20.600	Z-13-GHS286	-	5,078	5,078	-
Alcohol Countermeasures	20.607	Z-13-GHS287	-	16,529	16,529	-
Highway Safety Grant	20.607	Z-14-GHS317	-	4,932	4,932	-
Highway Safety Grant	20.607	Z-14-GHS315	-	9,860	9,860	-
Network Coordinator	20.600	Z-14-GHS316	-	355	355	-
Total Department of Transportation			-	36,754	36,754	-
U.S. Department of Housing and Urban Dev.						
Tennessee Dept. of Economic and Comm. Dev.						
Sewer line extension	14.228	GG-12-38888	-	199,218	199,218	-
Total federal awards			$ (10,618)	$ 776,594	$ 768,365	$ (2,389)

CITY OF SODDY-DAISY, TENNESSEE
Notes to the Schedule of Federal Awards
Year Ended June 30, 2014

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. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

CITY OF SODDY-DAISY, TENNESSEE
Solid Waste Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
EXPENDITURES				
Current expenditures				
Public works				
Contracted services	$ 480,000	$ 480,000	$ 466,384	$ 13,616
TOTAL EXPENDITURES	480,000	480,000	466,384	13,616
Excess (deficiency) of revenues over (under) expenditures	(480,000)	(480,000)	(466,384)	13,616
OTHER FINANCING SOURCES (USES)				
Transfer in	480,000	480,000	427,518	(52,482)
Net changes in fund balances	-	-	(38,866)	(38,866)
Fund balances - beginning	548	548	548	-
Fund balances - end	$ 548	$ 548	$ (38,318)	$ (38,866)

CITY OF SODDY-DAISY, TENNESSEE
Schedule of Property Taxes Receivable
General Fund
June 30, 2014

Year of Levy	
2014	$ 3,337,350
2013	251,610
2012	63,869
2011	43,444
2010	7,504
2009	4,284
2008	-
2007	2,223
2006	-
2005	-
Total property taxes receivable	3,710,284
Less: allowance for uncollectible taxes	(140,865)
Net property taxes receivable	$ 3,569,419

CITY OF SODDY-DAISY, TENNESSEE
Schedule of Changes in Property Taxes Receivable
General Fund
Year Ended June 30, 2014

	Taxes Receivable July 1, 2013	Taxes Levied	Pickups	Collections	Error/ Releases	Taxes Receivable June 30, 2014
2014	$ -	$ 3,337,350	$ -	$ -	$ -	$ 3,337,350
2013	3,276,961	-	64,859	(3,088,440)	(1,770)	251,610
2012	187,673	-	-	(123,804)	-	63,869
2011	67,443	-	-	(23,999)	-	43,444
2010	19,539	-	-	(12,035)	-	7,504
2009	6,513	-	-	(2,229)	-	4,284
2008	-	-	1,228	(1,228)	-	-
2007	2,341	-	-	(118)	-	2,223
2006	-	-	-	-	-	-
2005	-	-	-	-	-	-
Total	$ 3,560,470	$ 3,337,350	$ 66,087	$ (3,251,853)	$ (1,770)	$ 3,710,284

CITY OF SODDY-DAISY, TENNESSEE
Tax Rates and Assessed Valuation Applicable to the Last Ten Years and Uncollected Delinquent Accounts
June 30, 2014

Year of Levy	Tax Rate Per $100	Assessed Valuation	Levy
2014	$1.3524/$100	$ 246,772,405	$ 3,337,350
2013	$1.3524/$100	$ 232,386,959	$ 3,142,801
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

Uncollected Delinquent Accounts

The City of Soddy-Daisy has filed all delinquent taxes with the Hamilton County Trustee for collection as of June 30, 2014.

CITY OF SODDY-DAISY, TENNESSEE
Schedule of Insurance
June 30, 2014

	Expiration	Amount	
General Fund			
TML Pool:			
Buildings and personal property	7-01-14	$ 8,813,984	
Workmen's compensation	7-01-14	$ 300,000	per accident
		$ 700,000	policy limit
		$ 300,000	per person
General and personal injury liability	7-01-14	$ 300,000	per person
		$ 700,000	per occurrence
		$ 300,000	per property
		$ 1,000,000	each other loss per occurrence
Automobile liability	7-01-14	$ 300,000	per person
		$ 700,000	per occurrence
		$ 300,000	per property

III. SINGLE AUDIT SECTION

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

To the Mayor and 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, 2014, 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 November 10, 2014.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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.

Johnson, Murphey & Wright, P.C.

Chattanooga, Tennessee
November 10, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Soddy-Daisy, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Soddy-Daisy, Tennessee's major federal programs for the year ended June 30, 2014. The City of Soddy-Daisy, Tennessee's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Soddy-Daisy, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Soddy-Daisy, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Soddy-Daisy, Tennessee's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Soddy-Daisy, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the City of Soddy-Daisy, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Soddy-Daisy, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Soddy-Daisy, Tennessee's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Johnson, Murphey & Wright, P.C.

Chattanooga, Tennessee
November 10, 2014

CITY OF SODDY-DAISY, TENNESSEE
Schedule of Findings and Questioned Costs
June 30, 2014

SUMMARY OF AUDITOR'S RESULTS

Opinion on Financial Statements:
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 of America.

Internal Control Reportable Conditions:
None disclosed.

Material Noncompliance:
None disclosed.

Internal Control Deficiencies over Major Programs:
None disclosed.

Opinion on Compliance for Major Programs:
Unqualified opinion.

Findings Disclosed under OMB Circular A-133 Section .510(a):
None disclosed.

Major Programs:
U.S. Department of Transportation 20.205

Dollar Threshold Level between Type A and Type B Programs:
$300,000

Low-Risk Auditee under OMB Circular A-133 Section .530:
No

CITY OF SODDY-DAISY, TENNESSEE
Schedule of Prior Year Findings
June 30, 2014

INTERNAL CONTROL:

Finding 13-1 - Approvals and Documentation

Corrected.

COMPLIANCE:

None disclosed.