



**ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013**

TOWN OF SIGNAL MOUNTAIN, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

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

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TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Roster of Board Members and Management
June 30, 2013

Mayor Bill Lusk

Vice Mayor..... Susan Robertson

Councilmember Annette Allen

Councilmember Dick Gee

Councilmember Bill Wallace

Town Judge Mark Rothberger

Town Manager/CMFO..... Honna Rogers

Town Attorney Phil Noblett

Town Recorder/Finance Director..... Carol Thompson-White

II. FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Mayor and Town Council
Town of Signal Mountain, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Signal Mountain, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Signal Mountain, Tennessee, as of June 30, 2013, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Capital Projects Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Signal Mountain, Tennessee's basic financial statements. The Introductory Section, combining and 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 combining and individual non-major fund financial statements and financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Mayor and Town Council
Town of Signal Mountain, Tennessee
Page Three

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2013, on our consideration of the Town of Signal Mountain, 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 Town of Signal Mountain, Tennessee's internal control over financial reporting and compliance.

Chattanooga, Tennessee
November 13, 2013

Johnson, Murphy & Wright, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Signal Mountain, Tennessee, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Signal Mountain, Tennessee for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

The assets of the Town of Signal Mountain, Tennessee exceeded its liabilities and deferred inflows at June 30, 2013, by \$17,550,794 (net position). Of this amount \$7,895,126 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors. The Town has restricted \$27,436 for the new high school, \$13,614 for drug enforcement programs, \$157,864 for state street aid expenditures and \$28,000 for Mountain Arts expenditures.

In addition to these restricted amounts, the Town has a committed fund balance of \$1,028,417 for the purchase of mobile assets and an assigned fund balance of \$437,889 for fire hall construction expenditures.

The Town's governmental activities operated at a surplus of \$1,147,710. The Town's business-type activities operated at a surplus of \$96,450.

As of the close of the current fiscal year, the Town of Signal Mountain, Tennessee's governmental funds reported combined ending fund balances of \$6,680,787.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,986,062, or 91.07 %, of total General Fund expenditures, excluding transfers.

At the end of the current fiscal year, the Town's enterprise funds reported combined ending net position of \$6,974,005. Of that balance \$3,448,622, or 49.45%, is unrestricted. The remaining 50.55%, or \$3,525,383, is invested in capital assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction of the Town of Signal Mountain, Tennessee's basic financial statements. The Town of Signal Mountain, 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 Town of Signal Mountain, Tennessee's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Town of Signal Mountain, Tennessee's assets, deferred outflows, liabilities and deferred inflows, 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 Town of Signal Mountain, 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 Town of Signal Mountain, Tennessee that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Signal Mountain, Tennessee include general government made up of judicial, financial administration and building inspection, public safety made up of the police and fire departments, public works made up of highways and streets and sanitation, public welfare and recreation made up of the library and community center and the maintenance shop which performs maintenance and repair work for all departments. The business-type activities of the Town of Signal Mountain, Tennessee include the Water Fund and the Stormwater Fund.

The government-wide financial statements can be found on pages 16 and 17 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 Town of Signal Mountain, Tennessee, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Signal Mountain, Tennessee can be divided into two categories: governmental funds and proprietary 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.

Governmental Funds (Continued)

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 Town of Signal Mountain, Tennessee maintains four 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 and Capital Projects Fund which are considered to be major funds. Individual fund data for the non-major governmental funds is provided in the statements later in this report beginning on page 58.

The Town of Signal Mountain, Tennessee adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major governmental funds, which are the General Fund and Capital Projects Fund to demonstrate compliance with this budget, as well as for non-major funds. The budgetary comparison statement for the major General Fund can be found beginning on page 22 of this report. The budgetary comparison statements for the non-major funds can be found beginning on page 60 of this report.

The basic governmental fund financial statements can be found on pages 18 through 21 of this report.

Proprietary Funds

The Town of Signal Mountain, Tennessee maintains one type of proprietary fund: enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Signal Mountain, Tennessee uses enterprise funds to account for its water and stormwater operations. The Town adopts an annual budget for its enterprise funds.

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

The basic proprietary fund financial statements can be found on pages 33 through 35 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 36 through 55 of this report.

Other Information

The statements referred to earlier in connection with non-major governmental funds, are presented immediately following the Required Supplementary Information other than Management's Discussion and Analysis. Individual fund statements and schedules can be found on pages 58 through 61 of this report.

FINANCIAL ANALYSIS OF THE TOWN 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 Town of Signal Mountain, Tennessee, assets exceeded liabilities and deferred inflows by \$17,550,794 at the close of this fiscal year.

53.72 percent of the Town of Signal Mountain, Tennessee's net position reflects its investment in capital assets (e.g., land, buildings and other improvements, infrastructure, plant in service and equipment), less any debt used to acquire those assets that is still outstanding. The Town of Signal Mountain, Tennessee uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town of Signal Mountain, 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 1.29%, or \$226,914, of the Town of Signal Mountain, Tennessee's net position represents resources that are subject to external restrictions on how they may be used. 44.99%, or \$7,895,126, in net position are unrestricted and can be used to meet the government's ongoing obligations.

At June 30, 2013, the Town of Signal Mountain, Tennessee is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

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

Town of Signal Mountain, Tennessee's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Capital assets	\$ 6,368,725	\$ 6,475,788	\$ 3,525,383	\$ 3,534,646	\$ 9,894,108	\$ 10,010,434
Other assets	11,113,630	10,335,040	3,795,833	3,705,958	14,909,463	14,040,998
Total assets	<u>\$ 17,482,355</u>	<u>\$ 16,810,828</u>	<u>\$ 7,321,216</u>	<u>\$ 7,240,604</u>	<u>\$ 24,803,571</u>	<u>\$ 24,051,432</u>
Long-term liabilities	\$ 2,140,969	\$ 2,874,557	\$ 192,605	\$ 187,874	\$ 2,333,574	\$ 3,062,431
Other liabilities	699,685	872,043	154,606	175,175	854,291	1,047,218
Total liabilities	<u>\$ 2,840,654</u>	<u>\$ 3,746,600</u>	<u>\$ 347,211</u>	<u>\$ 363,049</u>	<u>\$ 3,187,865</u>	<u>\$ 4,109,649</u>
Deferred inflows of resources	<u>\$ 4,064,912</u>	<u>\$ 3,625,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,064,912</u>	<u>\$ 3,625,148</u>
Net investment in capital assets	\$ 5,903,371	\$ 5,924,056	\$ 3,525,383	\$ 3,534,646	\$ 9,428,754	\$ 9,458,702
Restricted	226,914	295,446	-	-	226,914	295,446
Unrestricted	<u>4,446,504</u>	<u>3,219,578</u>	<u>3,448,622</u>	<u>3,342,909</u>	<u>7,895,126</u>	<u>6,562,487</u>
Total net position	<u>\$ 10,576,789</u>	<u>\$ 9,439,080</u>	<u>\$ 6,974,005</u>	<u>\$ 6,877,555</u>	<u>\$ 17,550,794</u>	<u>\$ 16,316,635</u>

Changes in Net Position

Governmental activities increased the Town of Signal Mountain, Tennessee's net position by \$1,147,710.

Business-type activities increased the Town of Signal Mountain, Tennessee's net position by \$96,450.

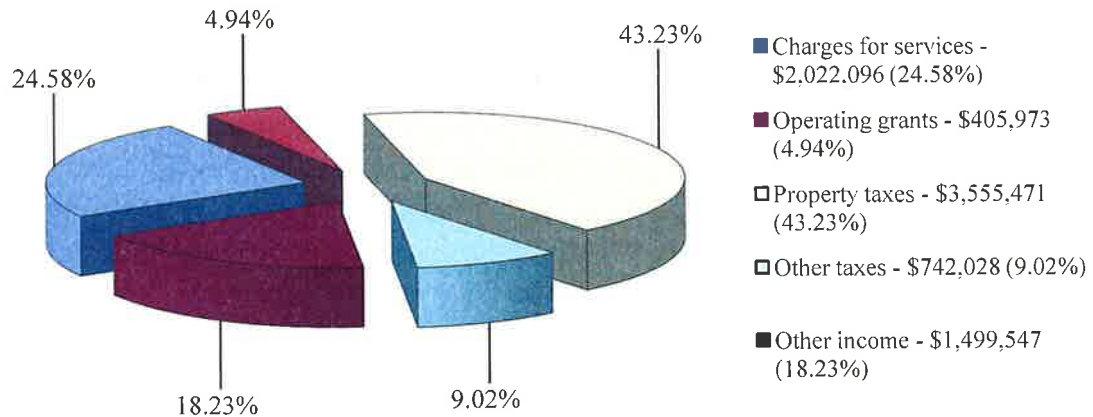
The table below provides a summary of the Town's net position broken down by governmental and business-type activities.

Town of Signal Mountain, Tennessee's Changes in Net Position

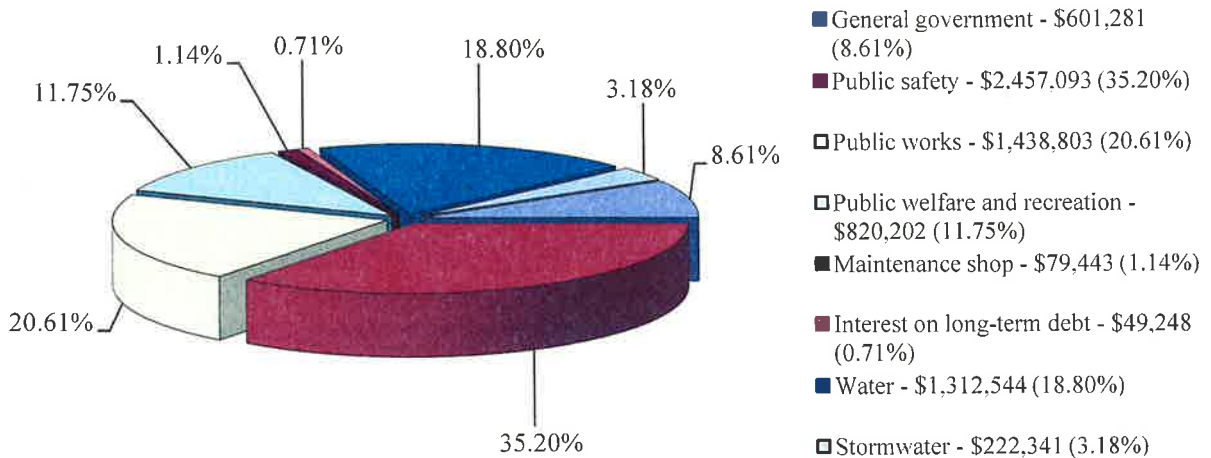
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 396,534	\$ 355,083	\$ 1,625,562	\$ 1,894,237	\$ 2,022,096	\$ 2,249,320
Operating grants and contributions	405,973	445,655	-	-	405,973	445,655
Capital grant and contributions	-	82,500	-	-	-	82,500
General revenues:						
Property taxes	3,555,471	3,534,231	-	-	3,555,471	3,534,231
Other taxes	742,028	720,043	-	-	742,028	720,043
Other income	<u>1,493,774</u>	<u>1,232,099</u>	<u>5,773</u>	<u>7,022</u>	<u>1,499,547</u>	<u>1,239,121</u>
Total revenues	<u>6,593,780</u>	<u>6,369,611</u>	<u>1,631,335</u>	<u>1,901,259</u>	<u>8,225,115</u>	<u>8,270,870</u>
Expenses:						
General government	601,281	623,576	-	-	601,281	623,576
Public safety	2,457,093	2,309,169	-	-	2,457,093	2,309,169
Public works	1,438,803	1,384,285	-	-	1,438,803	1,384,285
Public welfare and recreation	820,202	919,950	-	-	820,202	919,950
Maintenance shop	79,443	73,625	-	-	79,443	73,625
Interest on long-term debt	49,248	45,967	-	-	49,248	45,967
Water	-	-	1,312,544	1,393,441	1,312,544	1,393,441
Stormwater	-	-	<u>222,341</u>	<u>192,243</u>	<u>222,341</u>	<u>192,243</u>
Total expenses	<u>5,446,070</u>	<u>5,356,572</u>	<u>1,534,885</u>	<u>1,585,684</u>	<u>6,980,955</u>	<u>6,942,256</u>
Increase in net position	1,147,710	1,013,039	96,450	315,575	1,244,160	1,328,614
Net position - beginning (2013 as restated)	<u>9,429,079</u>	<u>8,426,041</u>	<u>6,877,555</u>	<u>6,561,980</u>	<u>16,306,634</u>	<u>14,988,021</u>
Net position - end	<u>\$ 10,576,789</u>	<u>\$ 9,439,080</u>	<u>\$ 6,974,005</u>	<u>\$ 6,877,555</u>	<u>\$ 17,550,794</u>	<u>\$ 16,316,635</u>

The graphs below summarize the \$8,225,115 of town-wide revenue by source and the associated \$6,980,955 of expense by program. The graphs combine data from both governmental and business-type activities.

Town-Wide Sources of Revenue



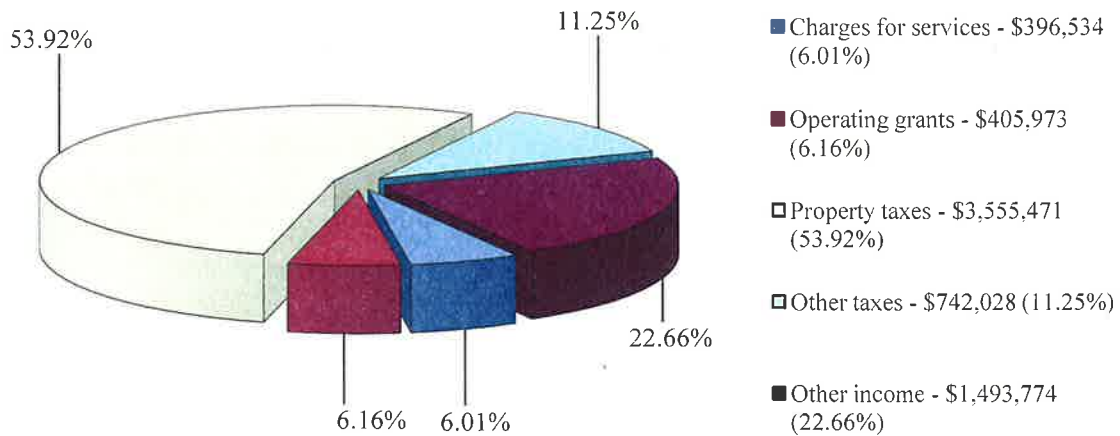
Town-Wide Program Expenses



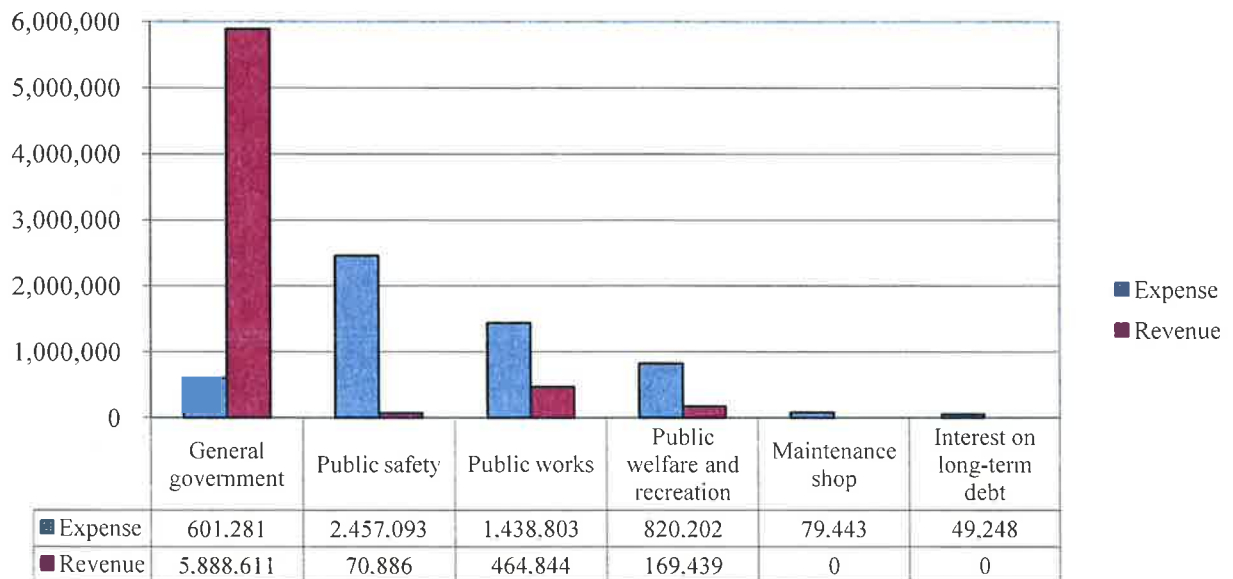
Governmental Activities

Governmental activities accounted for revenues of \$6,593,780. The following graph summarizes revenue by source.

**Revenue by Source -
Governmental Activities**

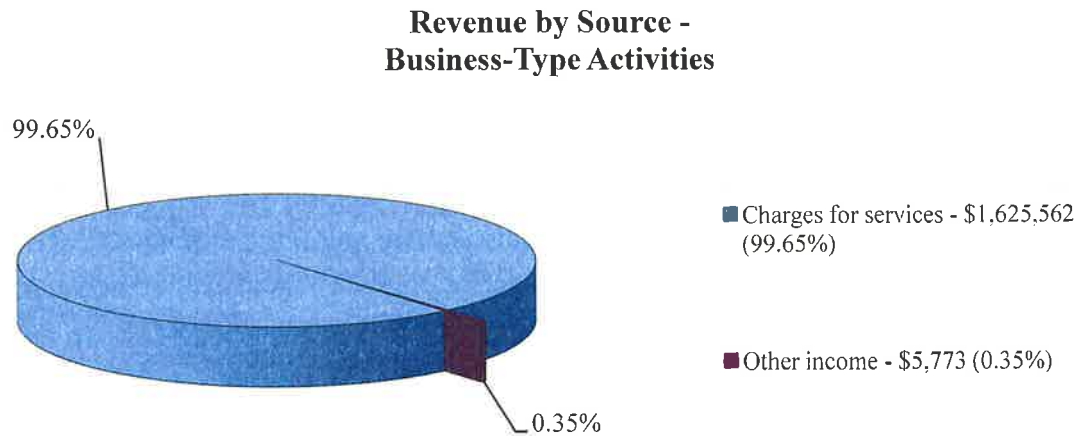


**Expenses and Program Revenues -
Governmental Activities**

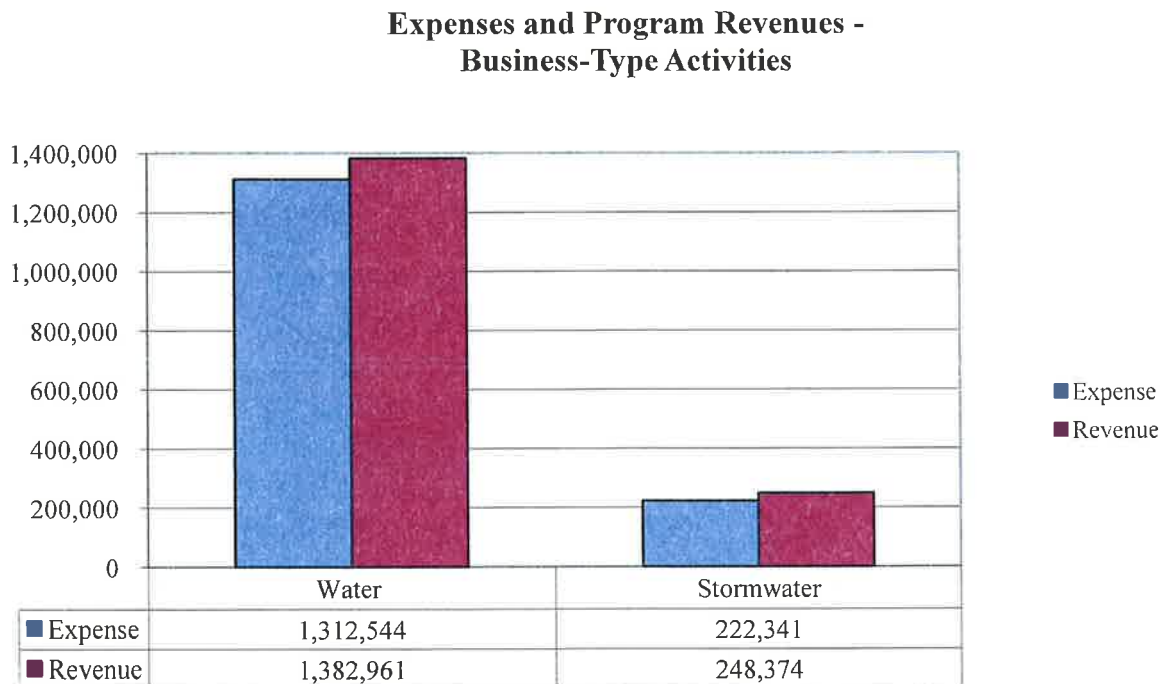


Business-type Activities

Business-type activities accounted for revenues of \$1,631,335. The following graph summarizes the revenue by source.



The following graph summarizes the revenue and related expense of operating the water and stormwater systems.



FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the Town of Signal Mountain, Tennessee's governmental funds reported combined ending fund balances of \$6,680,787. Approximately 74.63% of this total amount, or \$4,986,062, constitutes unassigned fund balance. Assigned funds of \$437,889 are to be used for fire hall construction. Committed funds consist of \$1,028,417 for the purchase of mobile assets. Restricted funds consist of \$27,436 for debt service payments on the new middle/high school, \$157,864 for the use of street expenditures and \$13,614 for use in investigations of drug-related violations, drug prevention programs and \$28,000 for Mountain Arts expenditures. Nonspendable funds consist of \$1,505 of inventory.

The General Fund is the chief operating fund of the Town of Signal Mountain, Tennessee. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,986,062. 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 91.07% of total General Fund expenditures, excluding transfers.

Proprietary Funds

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

Unrestricted net position at the end of the year amounted to \$2,956,868 for the Water Fund and \$491,754 for the Stormwater Fund.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were approximately \$118,754, and are listed below:

General Fund budgeted revenues increased \$86,661.

General Fund budgeted expenditures decreased \$32,093.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

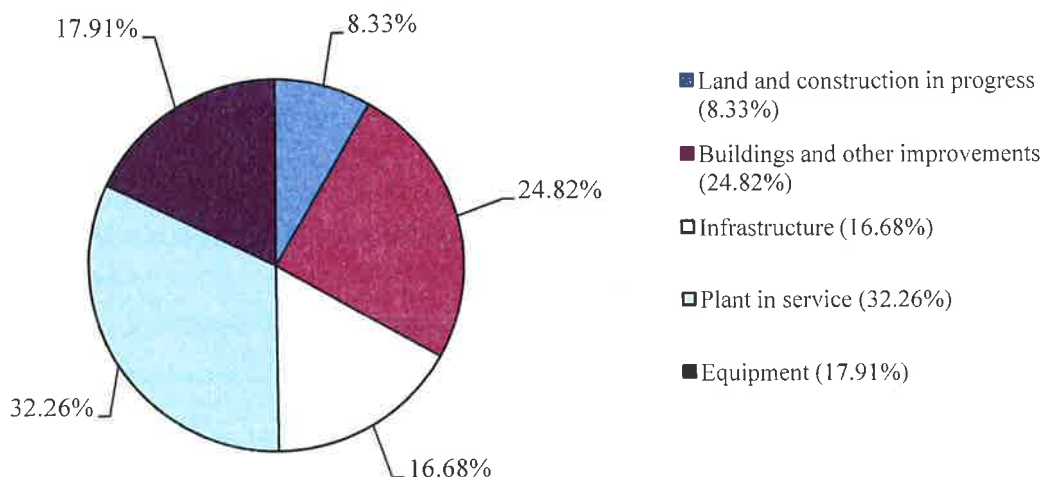
The table below summarizes the Town's investment in capital assets and is broken down by governmental and business-type activities.

Town of Signal Mountain, Tennessee's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land and construction in progress	\$ 813,839	\$ 813,839	\$ 10,595	\$ 354,725	\$ 824,434	\$ 1,168,564
Buildings and other improvements	2,455,965	2,521,600	-	-	2,455,965	2,521,600
Infrastructure	1,650,625	1,677,681	-	-	1,650,625	1,677,681
Plant in service	-	-	3,192,145	2,833,625	3,192,145	2,833,625
Equipment	1,448,296	1,462,668	322,643	346,296	1,770,939	1,808,964
Total capital assets	\$ 6,368,725	\$ 6,475,788	\$ 3,525,383	\$ 3,534,646	\$ 9,894,108	\$ 10,010,434

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

Town-Wide Capital Assets



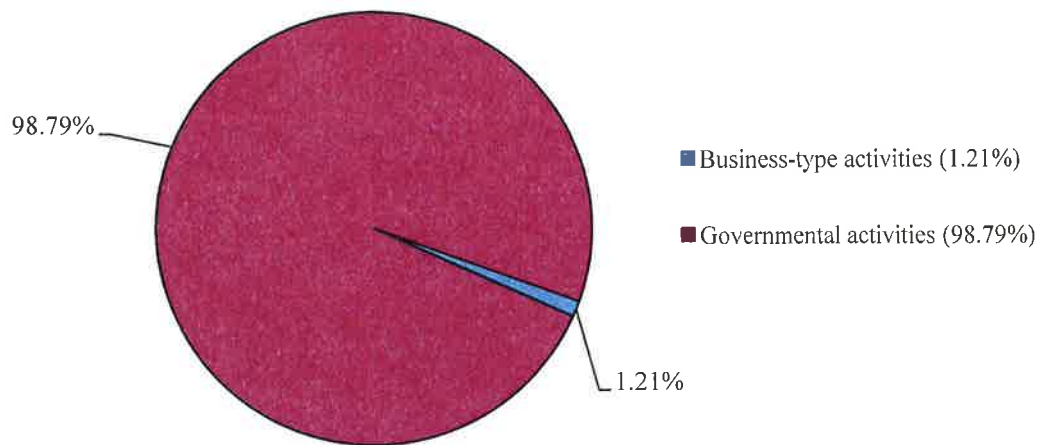
Additional information on the Town of Signal Mountain, Tennessee's capital assets can be found in Note 7 on page 45 and 46 of this report.

Town of Signal Mountain, Tennessee's Outstanding Debt

At the end of the current fiscal year, the Town of Signal Mountain, Tennessee had total long-term debt outstanding of \$2,567,626; of that amount \$395,637 is due in the next fiscal year.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Capital outlay notes	\$ 2,389,303	\$ 3,080,013	\$ -	\$ -	\$ 2,389,303	\$ 3,080,013
Compensated absences	147,303	176,921	31,020	33,126	178,323	210,047
Current portion	(395,637)	(382,377)	-	-	(395,637)	(382,377)
Total long-term debt	<u>\$ 2,140,969</u>	<u>\$ 2,874,557</u>	<u>\$ 31,020</u>	<u>\$ 33,126</u>	<u>\$ 2,171,989</u>	<u>\$ 2,907,683</u>

Long-Term Debt By Activity



Additional information on outstanding debt can be found in Note 9 on pages 47 and 48.

Currently Known Conditions Effecting Future Years

In 2005, the Town of Signal Mountain, Tennessee committed, along with the Town of Walden through an inter-local agreement, to provide \$10,000,000 to Hamilton County for the construction of a high school. The Town of Signal Mountain's portion of this amount was \$7,700,000. To fund this disbursement, the Town utilized existing reserves, funds from a local option sales tax created by a 1999 referendum, and a loan agreement with the City of Clarksville's Public Building Authority.

The loan mentioned above is essentially a line-of-credit for up to \$7,236,000. A total of \$6,239,282 was withdrawn as needed funds after consideration of the other funding sources, and the Town subsequently authorized that any remaining available credit be forfeited. As of June 30, 2013, \$1,923,949 of the amount withdrawn was outstanding. The loan agreement provides for one principal payment per year and monthly variable interest payments. Additional principal payments are permitted. The agreement also specifies that the interest rate is limited to a maximum of 6%. A Schedule of Debt Service for this instrument is located on page 73 of this report and is a part of the total governmental debt summary on page 47. These schedules reflect an assumed 5% interest rate. Actual interest payments may vary from those scheduled based on future market conditions.

As of June 30, 2013, \$27,436 was legally restricted for the same and reflects funds collected through a special property tax assessment not to exceed \$.35 per \$100 of assessed property value, created by a referendum election held on May 18, 2004. In fiscal year 2013, the restricted tax collection was \$.30 per \$100 of assessed property value.

Requests for Information

This financial report is designed to provide a general overview of the Town of Signal Mountain, Tennessee's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information may be addressed to the Town of Signal Mountain, Tennessee, 1111 Ridgeway Avenue, Signal Mountain, Tennessee 37377.

BASIC FINANCIAL STATEMENTS

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Statement of Net Position
June 30, 2013

	Primary Government			Component Unit
	Governmental	Business-type		Public Library
	Activities	Activities	Total	Board
ASSETS				
Current assets				
Cash	\$ 2,189,871	\$ 1,210,467	\$ 3,400,338	\$ 18,714
Investments	3,956,528	1,951,255	5,907,783	-
Property taxes - net	4,135,937	-	4,135,937	-
Accounts receivable - net	13,340	355,897	369,237	-
Interest receivable	1,538	463	2,001	-
Due from other governments	980,342	-	980,342	-
Internal balances	(192,867)	192,867	-	-
Inventories	1,505	65,146	66,651	-
Total current assets	<u>11,086,194</u>	<u>3,776,095</u>	<u>14,862,289</u>	<u>18,714</u>
Non-current assets				
Investments - restricted	27,436	-	27,436	-
Customer lists - Walden's Ridge - net	-	19,738	19,738	-
Capital assets				
Land and construction in progress	813,839	10,595	824,434	-
Other capital assets - net of depreciation	<u>5,554,886</u>	<u>3,514,788</u>	<u>9,069,674</u>	<u>-</u>
Total non-current assets	<u>6,396,161</u>	<u>3,545,121</u>	<u>9,941,282</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 17,482,355</u>	<u>\$ 7,321,216</u>	<u>\$ 24,803,571</u>	<u>\$ 18,714</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 202,276	\$ 141,641	\$ 343,917	\$ -
Accrued liabilities	101,772	12,965	114,737	-
Notes payable - current	<u>395,637</u>	<u>-</u>	<u>395,637</u>	<u>-</u>
Total current liabilities	<u>699,685</u>	<u>154,606</u>	<u>854,291</u>	<u>-</u>
Non-current liabilities				
Customer deposits	-	161,585	161,585	-
Notes payable - long-term	1,993,666	-	1,993,666	-
Compensated absences payable	<u>147,303</u>	<u>31,020</u>	<u>178,323</u>	<u>-</u>
Total long-term liabilities	<u>2,140,969</u>	<u>192,605</u>	<u>2,333,574</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 2,840,654</u>	<u>\$ 347,211</u>	<u>\$ 3,187,865</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	<u>\$ 4,064,912</u>	<u>\$ -</u>	<u>\$ 4,064,912</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 5,903,371	\$ 3,525,383	\$ 9,428,754	\$ -
Restricted for Mountain Arts	28,000	-	28,000	-
Restricted for debt service	27,436	-	27,436	-
Restricted for drug enforcement program	13,614	-	13,614	-
Restricted for state street aid	157,864	-	157,864	-
Unrestricted	<u>4,446,504</u>	<u>3,448,622</u>	<u>7,895,126</u>	<u>18,714</u>
TOTAL NET POSITION	<u>\$ 10,576,789</u>	<u>\$ 6,974,005</u>	<u>\$ 17,550,794</u>	<u>\$ 18,714</u>

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Statement of Activities
Year Ended June 30, 2013

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
General government							
Judicial	\$ 45,973	\$ -	\$ -	\$ -	\$ (45,973)	\$ -	\$ (45,973)
Financial administration	493,822	-	-	-	(493,822)	-	(493,822)
Building inspection	61,486	97,338	-	-	35,852	-	35,852
Public safety							
Police department	1,157,944	69,386	1,500	-	(1,087,058)	-	(1,087,058)
Fire department	1,299,149	-	-	-	(1,299,149)	-	(1,299,149)
Highway and streets							
Public works administration	110,381	-	-	-	(110,381)	-	(110,381)
Highway and street maintenance	821,249	-	391,061	-	(430,188)	-	(430,188)
Sanitation							
Solid waste department	446,015	48,828	-	-	(397,187)	-	(397,187)
Recycle center	61,158	24,955	-	-	(36,203)	-	(36,203)
Public welfare and recreation							
Recreation	459,202	86,402	4,979	-	(367,821)	-	(367,821)
Mountain Arts Community Center	204,635	55,346	8,433	-	(140,856)	-	(140,856)
Library	156,365	14,279	-	-	(142,086)	-	(142,086)
Maintenance shop	79,443	-	-	-	(79,443)	-	(79,443)
Interest on long-term debt	49,248	-	-	-	(49,248)	-	(49,248)
Total governmental activities	5,446,070	396,534	405,973	-	(4,643,563)	-	(4,643,563)
Business-type activities:							
Water	1,312,544	1,377,446	-	-	-	64,902	64,902
Stormwater	222,341	248,116	-	-	-	25,775	25,775
Total business-type activities	1,534,885	1,625,562	-	-	-	90,677	90,677
Total primary government	\$ 6,980,955	\$ 2,022,096	\$ 405,973	\$ -	(4,643,563)	90,677	(4,552,886)
Component Unit							
Library Board	\$ 4,865	\$ 3,441	\$ -	\$ -	-	-	(1,424)
General Revenues:							
Taxes							
Property taxes, interest and penalty					3,555,471	-	3,555,471
Public utilities taxes					101,289	-	101,289
Sales taxes					389,638	-	389,638
Franchise tax					134,815	-	134,815
Business taxes					44,542	-	44,542
Alcoholic beverages taxes					71,744	-	71,744
Grants and contributions not restricted to specific programs					1,400,893	-	1,400,893
Investment income					13,489	5,773	19,262
Rent on land					52,483	-	52,483
Miscellaneous					26,909	-	26,909
Total general revenues					5,791,273	5,773	5,797,046
Change in net position					1,147,710	96,450	1,244,160
Net position - beginning (as restated)					9,429,079	6,877,555	16,306,634
Net position - end					\$ 10,576,789	\$ 6,974,005	\$ 17,550,794

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Governmental Funds
Balance Sheet
June 30, 2013

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 1,332,135	\$ 802,021	\$ 55,715	\$ 2,189,871
Investments	3,461,794	289,168	205,566	3,956,528
Investments - restricted	27,436	-	-	27,436
Property taxes - net	4,135,937	-	-	4,135,937
Accounts receivable - net	13,340	-	-	13,340
Gasoline inventory	1,505	-	-	1,505
Due from other funds	140,777	6,670	1,524	148,971
Due from other governments	943,040	-	37,302	980,342
Interest receivable	981	557	-	1,538
	<u>\$10,056,945</u>	<u>\$1,098,416</u>	<u>\$ 300,107</u>	<u>\$ 11,455,468</u>
TOTAL ASSETS				
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 103,648	\$ 69,999	\$ 28,629	\$ 202,276
Accrued liabilities	101,772	-	-	101,772
Due to other funds	241,838	-	100,000	341,838
Total liabilities	<u>447,258</u>	<u>69,999</u>	<u>128,629</u>	<u>645,886</u>
Deferred Inflows of Resources				
Deferred revenue - property taxes	<u>4,128,795</u>	<u>-</u>	<u>-</u>	<u>4,128,795</u>
Fund Balances				
Nonspendable	1,505	-	-	1,505
Restricted	55,436	-	171,478	226,914
Committed	-	1,028,417	-	1,028,417
Assigned	437,889	-	-	437,889
Unassigned	4,986,062	-	-	4,986,062
Total fund balances	<u>5,480,892</u>	<u>1,028,417</u>	<u>171,478</u>	<u>6,680,787</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
	<u>\$10,056,945</u>	<u>\$1,098,416</u>	<u>\$ 300,107</u>	<u>\$ 11,455,468</u>

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2013

Total fund balances per governmental funds balance sheet	\$ 6,680,787
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,368,725
Long-term liabilities, including notes payable and compensated absences payable are not due and payable in the current period and, therefore, are not reported in the funds.	(2,536,606)
Some of the Town's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	<u>63,883</u>
Net position of governmental activities	<u>\$ 10,576,789</u>

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2013

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 4,131,880	\$ -	\$ -	\$ 4,131,880
Licenses and permits	97,338	-	-	97,338
Intergovernmental	1,416,950	-	375,004	1,791,954
Charges for services	273,120	-	-	273,120
Fines and forfeitures	60,198	-	1,525	61,723
Other revenues	<u>194,407</u>	<u>10,677</u>	<u>1,879</u>	<u>206,963</u>
TOTAL REVENUES	<u>6,173,893</u>	<u>10,677</u>	<u>378,408</u>	<u>6,562,978</u>
EXPENDITURES				
Current Expenditures				
General government	588,453	-	-	588,453
Public safety	2,336,884	-	223	2,337,107
Public works	881,952	-	54,128	936,080
Public welfare and recreation	697,809	-	-	697,809
Maintenance shop	76,652	-	-	76,652
Capital Outlay	153,395	143,129	386,754	683,278
Debt Service	<u>739,958</u>	<u>-</u>	<u>-</u>	<u>739,958</u>
TOTAL EXPENDITURES	<u>5,475,103</u>	<u>143,129</u>	<u>441,105</u>	<u>6,059,337</u>
Excess (deficiency) of revenues over (under) expenditures	<u>698,790</u>	<u>(132,452)</u>	<u>(62,697)</u>	<u>503,641</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	266,077	-	266,077
Transfers out	<u>(266,077)</u>	<u>-</u>	<u>-</u>	<u>(266,077)</u>
Total other financing sources (uses)	<u>(266,077)</u>	<u>266,077</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	432,713	133,625	(62,697)	503,641
Fund balances - beginning	<u>5,048,179</u>	<u>894,792</u>	<u>234,175</u>	<u>6,177,146</u>
Fund balances - end	<u>\$ 5,480,892</u>	<u>\$1,028,417</u>	<u>\$ 171,478</u>	<u>\$ 6,680,787</u>

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2013

Net change in fund balances for total governmental funds	\$ 503,641
Governmental funds report capital outlay as expenditures, however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.	(107,063)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	30,804
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	690,710
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:	
(Increase) decrease in compensated absences	<u>29,618</u>
Change in net position of governmental activities	<u>\$ 1,147,710</u>

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2013

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
REVENUES				
Taxes				
Property taxes	\$ 3,525,000	\$ 3,528,665	\$ 3,515,638	\$ (13,027)
Interest and penalties	9,900	9,900	9,029	(871)
Public utilities	75,050	75,050	101,289	26,239
Local option sales taxes	365,000	365,000	389,638	24,638
Wholesale beer tax	59,000	59,000	71,744	12,744
Minimum business taxes	4,800	4,800	5,773	973
Gross receipts tax	27,000	27,000	38,769	11,769
Total taxes	<u>4,065,750</u>	<u>4,069,415</u>	<u>4,131,880</u>	<u>62,465</u>
License and permits				
Beer and liquor license	1,000	1,000	2,000	1,000
Building permits	22,300	82,005	94,673	12,668
Other permits	250	250	665	415
Total license and permits	<u>23,550</u>	<u>83,255</u>	<u>97,338</u>	<u>14,083</u>
Intergovernmental				
Grants - federal, state and county	2,000	-	441	441
TVA replacement	87,000	87,000	86,144	(856)
Fire and police supplemental	18,600	18,600	17,400	(1,200)
State sales tax	515,500	515,500	527,932	12,432
State income tax and excise tax	375,000	375,000	753,280	378,280
State beer tax	4,000	4,000	3,735	(265)
Mixed drink tax	7,500	7,500	12,402	4,902
Streets and transportation	15,500	15,500	15,616	116
Total intergovernmental	<u>1,025,100</u>	<u>1,023,100</u>	<u>1,416,950</u>	<u>393,850</u>
Charges for services				
Sanitation charges for service	43,450	48,750	48,513	(237)
Stormwater billing	3,250	3,250	-	(3,250)
Police special services	6,500	6,500	7,664	1,164
Library charges	15,400	15,400	14,279	(1,121)
Recreation activities	112,265	103,145	86,402	(16,743)
Mountain Arts Community Center	59,100	59,100	63,779	4,679
Rent	57,255	57,255	52,483	(4,772)
Total charges for services	<u>297,220</u>	<u>293,400</u>	<u>273,120</u>	<u>(20,280)</u>

(Continued)

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES (Continued)				
Fines and forfeitures				
City court revenues	\$ 50,000	\$ 65,000	\$ 60,198	\$ (4,802)
Other revenue				
Interest earnings	10,595	10,595	11,059	464
Insurance recovery	-	-	7,370	7,370
CATV franchise	170,000	190,000	134,815	(55,185)
Sale of materials and supplies	19,200	20,250	25,006	4,756
Miscellaneous	26,447	19,508	10,710	(8,798)
Contributions and donations	1,000	1,000	5,447	4,447
Total other revenue	227,242	241,353	194,407	(46,946)
TOTAL REVENUES	5,688,862	5,775,523	6,173,893	398,370
EXPENDITURES				
Current Expenditures				
General Government				
Judicial				
Salaries	32,301	32,301	33,264	(963)
Payroll taxes	2,471	2,471	2,501	(30)
Fringe benefits	2,082	2,082	2,131	(49)
Pension expense	1,460	1,460	1,541	(81)
Insurance	567	567	868	(301)
Miscellaneous	25	25	560	(535)
Office supplies	400	400	289	111
Operating supplies	1,895	3,368	3,008	360
Postage and printing	145	145	108	37
Professional services	950	950	550	400
Repairs and maintenance	25	25	26	(1)
Telephone and other communications	250	250	232	18
Travel and training	100	100	62	38
Total judicial	42,671	44,144	45,140	(996)

(Continued)

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
Year Ended June 30, 2013

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
General Government (Continued)				
Financial administration				
Salaries	\$ 226,477	\$ 226,477	\$ 216,412	\$ 10,065
Payroll taxes	17,326	17,326	15,882	1,444
Fringe benefits	91,476	91,476	71,717	19,759
Pension expense	16,988	16,988	16,604	384
Insurance	3,764	3,764	3,711	53
Legal fees	43,000	43,000	36,445	6,555
Miscellaneous	16,400	16,400	8,641	7,759
Office supplies	5,200	5,200	6,079	(879)
Operating supplies	24,408	24,408	24,502	(94)
Postage and printing	14,715	16,815	20,176	(3,361)
Professional services	26,245	26,245	29,095	(2,850)
Repairs and maintenance	5,800	10,800	10,441	359
Telephone and other communications	1,200	1,200	1,070	130
Travel and training	10,000	10,000	9,511	489
Utilities	10,000	10,000	10,134	(134)
Vehicle expense	2,250	2,250	1,051	1,199
Total financial administration	<u>515,249</u>	<u>522,349</u>	<u>481,471</u>	<u>40,878</u>
Building inspection				
Salaries	19,597	19,597	19,898	(301)
Payroll taxes	1,499	1,499	1,431	68
Fringe benefits	3,783	3,783	3,769	14
Pension expense	1,654	1,654	1,679	(25)
Insurance	2,037	2,037	1,190	847
Miscellaneous	-	-	20	(20)
Office supplies	150	150	502	(352)
Operating supplies	2,700	2,700	1,989	711
Postage and printing	375	375	405	(30)
Professional services	-	35,183	26,856	8,327
Repairs and maintenance	600	600	745	(145)
Telephone and other communications	600	600	653	(53)
Travel and training	750	750	1,942	(1,192)
Vehicle expense	800	800	763	37
Total building inspection	<u>34,545</u>	<u>69,728</u>	<u>61,842</u>	<u>7,886</u>
Total general government	<u>592,465</u>	<u>636,221</u>	<u>588,453</u>	<u>47,768</u>

(Continued)

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u>
<u>(Unfavorable)</u>				
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public safety				
Police department				
Salaries	\$ 689,551	\$ 689,551	\$ 680,171	\$ 9,380
Payroll taxes	52,441	52,441	49,468	2,973
Fringe benefits	109,453	109,453	90,531	18,922
Pension expense	81,851	81,851	79,156	2,695
Animal control	3,000	3,000	856	2,144
Contract services	43,003	43,003	43,471	(468)
Insurance	57,674	57,674	44,031	13,643
Miscellaneous	700	700	175	525
Office supplies	1,500	1,500	1,450	50
Operating supplies	20,585	20,585	17,849	2,736
Postage and printing	2,350	2,350	1,361	989
Repairs and maintenance	22,200	22,200	19,830	2,370
Telephone and other communications	12,850	12,850	12,879	(29)
Travel and training	10,000	8,000	7,496	504
Utilities	6,250	6,250	6,359	(109)
Vehicle expense	53,120	46,209	48,994	(2,785)
Total police department	<u>1,166,528</u>	<u>1,157,617</u>	<u>1,104,077</u>	<u>53,540</u>
Fire department				
Salaries	709,847	709,847	686,827	23,020
Payroll taxes	54,304	54,304	50,164	4,140
Fringe benefits	97,030	97,030	89,438	7,592
Pension expense	79,440	79,440	76,444	2,996
Contract services	39,503	39,503	39,502	1
Insurance	40,423	40,423	34,881	5,542
Miscellaneous	10,500	10,500	5,810	4,690
Office supplies	1,200	1,200	1,149	51
Operating supplies	215,566	215,566	177,395	38,171
Postage and printing	2,925	2,925	2,852	73
Repairs and maintenance	19,500	19,500	35,366	(15,866)
Telephone and other communications	6,300	6,300	3,839	2,461
Travel and training	10,200	10,200	4,999	5,201
Utilities	12,800	12,800	12,205	595
Vehicle expense	14,200	14,200	11,936	2,264
Total fire department	<u>1,313,738</u>	<u>1,313,738</u>	<u>1,232,807</u>	<u>80,931</u>
Total public safety	<u>2,480,266</u>	<u>2,471,355</u>	<u>2,336,884</u>	<u>134,471</u>

(Continued)

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
Year Ended June 30, 2013

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public Works				
Public works administration				
Salaries	\$ 68,979	\$ 68,979	\$ 62,996	\$ 5,983
Payroll taxes	5,277	5,277	4,356	921
Fringe benefits	12,266	12,266	12,888	(622)
Pension expense	5,822	5,822	5,317	505
Insurance	1,515	1,515	1,402	113
Office supplies	450	450	640	(190)
Operating supplies	1,090	1,090	1,390	(300)
Postage and printing	900	900	605	295
Professional services	45,000	45,000	16,441	28,559
Repairs and maintenance	600	600	734	(134)
Telephone and other communications	500	500	576	(76)
Travel and training	1,500	1,500	1,914	(414)
Utilities	850	850	704	146
Vehicle expense	850	850	200	650
Total public works administration	<u>145,599</u>	<u>145,599</u>	<u>110,163</u>	<u>35,436</u>
Highway and street maintenance				
Salaries	175,614	175,614	119,345	56,269
Payroll taxes	13,970	13,970	8,370	5,600
Fringe benefits	54,848	54,848	47,607	7,241
Pension expense	15,413	15,413	10,073	5,340
Insurance	22,757	22,757	18,506	4,251
Miscellaneous	300	300	284	16
Office supplies	100	100	52	48
Operating supplies	7,750	7,750	6,199	1,551
Paving and road repair	33,550	33,550	25,012	8,538
Postage and printing	400	400	1,324	(924)
Repairs and maintenance	17,000	17,000	18,454	(1,454)
Telephone and other communications	1,600	1,600	1,822	(222)
Travel and training	2,000	2,000	2,512	(512)
Vehicle expense	23,100	35,532	27,668	7,864
Total highway and street maintenance	<u>368,402</u>	<u>380,834</u>	<u>287,228</u>	<u>93,606</u>

(Continued)

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
Year Ended June 30, 2013

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public Works (Continued)				
Solid waste department				
Salaries	\$ 169,720	\$ 175,370	\$ 177,007	\$ (1,637)
Payroll taxes	11,563	11,563	12,558	(995)
Fringe benefits	10,839	10,839	6,139	4,700
Pension expense	10,487	14,420	13,696	724
Insurance	18,923	18,923	8,781	10,142
Landfill - hauling services	54,460	54,460	41,111	13,349
Landfill services	100,408	100,408	74,933	25,475
Miscellaneous	2,700	2,700	2,393	307
Office supplies	300	300	176	124
Operating supplies	1,800	1,800	1,659	141
Postage and printing	1,450	1,450	1,510	(60)
Professional services	38,000	38,000	21,162	16,838
Repair and maintenance	21,000	21,000	20,229	771
Telephone and other communications	500	500	172	328
Travel and training	1,200	1,200	1,309	(109)
Vehicle expense	51,200	54,200	39,729	14,471
Total solid waste department	494,550	507,133	422,564	84,569
Recycle center				
Salaries	7,821	7,821	8,580	(759)
Payroll taxes	598	598	608	(10)
Fringe benefits	1,009	1,009	935	74
Pension expense	660	660	724	(64)
Insurance	1,437	1,437	4,392	(2,955)
Operating supplies	290	290	1,338	(1,048)
Professional services	44,112	44,112	44,112	-
Repair and maintenance	3,000	3,000	167	2,833
Telephone and other communications	600	600	444	156
Utilities	775	775	697	78
Total recycle center	60,302	60,302	61,997	(1,695)
Total public works	1,068,853	1,093,868	881,952	211,916

(Continued)

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
Year Ended June 30, 2013

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public Welfare and Recreation				
Recreation administration				
Salaries	\$ 44,038	\$ 44,038	\$ 43,676	\$ 362
Payroll taxes	3,369	3,369	3,129	240
Fringe benefits	248	7,260	6,611	649
Pension expense	3,717	3,717	3,686	31
Insurance	2,862	2,862	771	2,091
Operating supplies	-	-	287	(287)
Postage and printing	410	410	109	301
Telephone and other communications	500	500	496	4
Travel and training	3,000	3,000	1,389	1,611
Total recreation administration	58,144	65,156	60,154	5,002
 Mountain Arts				
Salaries	63,910	63,910	69,177	(5,267)
Payroll taxes	7,781	7,781	5,219	2,562
Fringe benefits	3,526	3,526	3,562	(36)
Pension expense	3,274	3,274	3,575	(301)
Insurance	2,008	2,008	3,582	(1,574)
Miscellaneous	600	600	950	(350)
Office supplies	2,500	2,500	1,461	1,039
Operating supplies	5,650	5,650	8,335	(2,685)
Postage and printing	7,750	7,750	7,377	373
Professional services	12,000	12,000	12,903	(903)
Repairs and maintenance	28,500	28,500	25,452	3,048
Telephone and other communications	1,500	1,500	1,705	(205)
Travel and training	750	750	196	554
Utilities	20,900	20,900	25,723	(4,823)
Vehicle expense	-	-	77	(77)
Total Mountain Arts	160,649	160,649	169,294	(8,645)

(Continued)

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
Year Ended June 30, 2013

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public Welfare and Recreation (Continued)				
Pool				
Salaries	\$ 32,435	\$ 32,435	\$ 40,954	\$ (8,519)
Payroll tax	2,482	2,482	3,133	(651)
Insurance	2,881	2,881	3,025	(144)
Miscellaneous	1,100	1,100	1,274	(174)
Office supplies	-	-	119	(119)
Operating supplies	18,300	18,300	17,794	506
Repairs and maintenance	10,500	10,500	13,773	(3,273)
Telephone and other communications	360	360	422	(62)
Utilities	22,000	27,137	30,530	(3,393)
Total pool	90,058	95,195	111,024	(15,829)
Parks and recreation maintenance				
Salaries	68,452	68,452	69,695	(1,243)
Payroll taxes	5,256	5,256	5,104	152
Fringe benefits	10,932	10,932	10,443	489
Pension expense	4,223	4,223	4,256	(33)
Insurance	4,881	4,881	4,324	557
Miscellaneous	-	-	140	(140)
Operating supplies	8,200	8,200	7,077	1,123
Repairs and maintenance	12,500	12,500	10,818	1,682
Utilities	2,000	2,000	3,285	(1,285)
Vehicle expense	7,300	7,300	10,508	(3,208)
Total parks and recreation maintenance	123,744	123,744	125,650	(1,906)
Tennis court				
Insurance	742	742	1,600	(858)
Operating supplies	2,500	2,500	2,168	332
Repairs and maintenance	14,000	14,000	9,716	4,284
Telephone and other communications	550	550	422	128
Utilities	1,000	1,000	795	205
Total tennis courts	18,792	18,792	14,701	4,091

(Continued)

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public Welfare and Recreation (Continued)				
Ballfields				
Insurance	\$ 846	\$ 846	\$ 1,042	\$ (196)
Operating supplies	7,400	7,400	7,420	(20)
Repairs and maintenance	12,500	12,500	16,902	(4,402)
Utilities	8,200	8,200	7,560	640
Total ballfields	28,946	28,946	32,924	(3,978)
Summer recreation program				
Salaries	6,310	6,310	963	5,347
Payroll taxes	482	482	110	372
Insurance	384	384	267	117
Operating supplies	1,400	1,400	75	1,325
Total summer recreation program	8,576	8,576	1,415	7,161
Gym				
Salaries	23,498	23,498	18,127	5,371
Payroll taxes	1,797	1,797	1,387	410
Insurance	2,322	2,322	3,497	(1,175)
Operating supplies	5,200	5,200	2,662	2,538
Repairs and maintenance	4,200	4,200	5,604	(1,404)
Utilities	9,000	9,000	9,729	(729)
Total gym	46,017	46,017	41,006	5,011

(Continued)

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
Year Ended June 30, 2013

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public Welfare and Recreation (Continued)				
Libraries				
Salaries	\$ 81,195	\$ 81,195	\$ 81,188	\$ 7
Payroll taxes	6,211	6,211	6,001	210
Fringe benefits	7,572	7,572	7,116	456
Pension expense	3,424	3,424	3,431	(7)
Insurance	2,392	2,392	2,569	(177)
Miscellaneous	70	70	-	70
Office supplies	3,000	3,000	3,193	(193)
Operating supplies	21,800	22,339	22,607	(268)
Postage and printing	1,800	1,800	1,720	80
Professional services	3,000	3,000	2,750	250
Repairs and maintenance	3,200	3,200	1,966	1,234
Telephone and other communications	2,300	2,300	1,508	792
Travel and training	400	400	238	162
Utilities	7,350	7,350	7,354	(4)
Total libraries	<u>143,714</u>	<u>144,253</u>	<u>141,641</u>	<u>2,612</u>
Total public welfare and recreation	<u>678,640</u>	<u>691,328</u>	<u>697,809</u>	<u>(6,481)</u>
Maintenance shop				
Salaries	35,290	35,290	34,500	790
Payroll taxes	2,684	2,684	2,329	355
Fringe benefits	7,513	7,513	7,484	29
Pension expense	2,979	2,979	2,912	67
Insurance	2,199	2,199	2,028	171
Operating supplies	3,890	10,890	6,500	4,390
Repairs and maintenance	2,500	2,500	3,275	(775)
Telephone and other communications	2,000	2,000	1,122	878
Travel and training	500	500	185	315
Utilities	14,400	14,400	15,078	(678)
Vehicle expense	1,650	1,650	1,239	411
Total maintenance shop	<u>75,605</u>	<u>82,605</u>	<u>76,652</u>	<u>5,953</u>

(Continued)

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
Year Ended June 30, 2013

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
EXPENDITURES (Continued)				
Capital Outlay				
General government	\$ 17,500	\$ 17,500	\$ 11,554	\$ 5,946
Public safety	49,300	49,300	44,155	5,145
Public works	17,500	17,500	18,292	(792)
Public welfare and recreation	233,200	125,909	79,394	46,515
Total capital outlay	<u>317,500</u>	<u>210,209</u>	<u>153,395</u>	<u>56,814</u>
Debt Service				
Principal paid	662,377	662,377	690,710	(28,333)
Interest	<u>88,037</u>	<u>83,687</u>	<u>49,248</u>	<u>34,439</u>
Total debt service	<u>750,414</u>	<u>746,064</u>	<u>739,958</u>	<u>6,106</u>
TOTAL EXPENDITURES	<u>5,963,743</u>	<u>5,931,650</u>	<u>5,475,103</u>	<u>456,547</u>
Excess (deficiency) of revenues over (under) expenditures	(274,881)	(156,127)	698,790	854,917
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(266,077)</u>	<u>(266,077)</u>	<u>(266,077)</u>	<u>-</u>
Net changes in fund balances	(540,958)	(422,204)	432,713	854,917
Fund balances - beginning (as restated)	<u>5,048,179</u>	<u>5,048,179</u>	<u>5,048,179</u>	<u>-</u>
Fund balances - end	<u>\$ 4,507,221</u>	<u>\$ 4,625,975</u>	<u>\$ 5,480,892</u>	<u>\$ 854,917</u>

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Proprietary Funds
Statement of Net Position
June 30, 2013

	Enterprise Funds		
		Other Enterprise Fund	
	Water Fund	Stormwater Fund	Totals
ASSETS			
Current assets			
Cash	\$ 983,349	\$ 227,118	\$ 1,210,467
Investments	1,909,723	41,532	1,951,255
Accounts receivable - net	355,897	-	355,897
Due from other funds	-	233,644	233,644
Interest receivable	463	-	463
Inventories	65,146	-	65,146
Total current assets	<u>3,314,578</u>	<u>502,294</u>	<u>3,816,872</u>
Non-current assets			
Other assets:			
Customer lists - Walden's Ridge - net	19,738	-	19,738
Total other assets	<u>19,738</u>	<u>-</u>	<u>19,738</u>
Capital assets			
Land and construction in progress	10,595	-	10,595
Other capital assets - net of accumulated depreciation	3,369,209	145,579	3,514,788
Total capital assets	<u>3,379,804</u>	<u>145,579</u>	<u>3,525,383</u>
Total non-current assets	<u>3,399,542</u>	<u>145,579</u>	<u>3,545,121</u>
TOTAL ASSETS	<u>\$ 6,714,120</u>	<u>\$ 647,873</u>	<u>\$ 7,361,993</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 138,036	\$ 3,605	\$ 141,641
Accrued liabilities	9,023	3,942	12,965
Due to other funds	40,777	-	40,777
Total current liabilities	<u>187,836</u>	<u>7,547</u>	<u>195,383</u>
Non-current liabilities			
Customer deposits	161,585	-	161,585
Compensated absences payable	28,027	2,993	31,020
Total non-current liabilities	<u>189,612</u>	<u>2,993</u>	<u>192,605</u>
TOTAL LIABILITIES	<u>\$ 377,448</u>	<u>\$ 10,540</u>	<u>\$ 387,988</u>
NET POSITION			
Net investment in capital assets	\$ 3,379,804	\$ 145,579	\$ 3,525,383
Unrestricted	<u>2,956,868</u>	<u>491,754</u>	<u>3,448,622</u>
TOTAL NET POSITION	<u>\$ 6,336,672</u>	<u>\$ 637,333</u>	<u>\$ 6,974,005</u>

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2013

	Enterprise Funds		
		Other	
	Water	Enterprise Fund	
	Fund	Stormwater	Total
	Fund	Fund	
OPERATING REVENUES			
Water service charges	\$ 1,345,601	\$ -	\$ 1,345,601
Stormwater user fees	-	248,116	248,116
Penalties	25,884	-	25,884
Other revenue	5,961	-	5,961
Total operating revenues	<u>1,377,446</u>	<u>248,116</u>	<u>1,625,562</u>
OPERATING EXPENSES			
Water purchases	331,516	-	331,516
Power and pumping	209,974	-	209,974
Treatment and transmission	224,904	-	224,904
Maintenance	280,969	-	280,969
Stormwater operations	-	186,794	186,794
Administration	82,256	-	82,256
Depreciation	<u>179,964</u>	<u>35,547</u>	<u>215,511</u>
Total operating expenses	<u>1,309,583</u>	<u>222,341</u>	<u>1,531,924</u>
Operating income	<u>67,863</u>	<u>25,775</u>	<u>93,638</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest earnings	5,515	258	5,773
Amortization expense	<u>(2,961)</u>	<u>-</u>	<u>(2,961)</u>
Total non-operating revenues (expenses)	<u>2,554</u>	<u>258</u>	<u>2,812</u>
Changes in net position	70,417	26,033	96,450
Net position - beginning	<u>6,266,255</u>	<u>611,300</u>	<u>6,877,555</u>
Net position - end	<u>\$ 6,336,672</u>	<u>\$ 637,333</u>	<u>\$ 6,974,005</u>

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Proprietary Funds
Statement of Cash Flows
June 30, 2013

	Enterprise Funds		
		Other	
		Enterprise Fund	
	Water	Stormwater	Totals
	Fund	Fund	
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,473,670	\$ 248,116	\$ 1,721,786
Payments to suppliers	(936,428)	(75,375)	(1,011,803)
Payments to employees	(220,600)	(106,499)	(327,099)
Net cash provided (used) by operating activities	<u>316,642</u>	<u>66,242</u>	<u>382,884</u>
Cash Flows from Non-capital and Related Financing Activities			
Due to/from other funds	<u>38,249</u>	<u>(218,906)</u>	<u>(180,657)</u>
Net cash provided (used) by non-capital financing activities	<u>38,249</u>	<u>(218,906)</u>	<u>(180,657)</u>
Cash Flows from Capital and Related Financing Activities			
Amortization of customer lists	(2,961)	-	(2,961)
Acquisitions and construction of capital assets	(206,248)	-	(206,248)
Net cash provided (used) by capital and related financing activities	<u>(209,209)</u>	<u>-</u>	<u>(209,209)</u>
Cash Flows from Investing Activities			
(Purchase) sale of investments	(89,217)	(55)	(89,272)
Interest revenue received	<u>5,515</u>	<u>258</u>	<u>5,773</u>
Net cash provided (used) by investing activities	<u>(83,702)</u>	<u>203</u>	<u>(83,499)</u>
Net increase (decrease) in cash	61,980	(152,461)	(90,481)
Cash - beginning	<u>921,369</u>	<u>379,579</u>	<u>1,300,948</u>
Cash - end	<u>\$ 983,349</u>	<u>\$ 227,118</u>	<u>\$ 1,210,467</u>
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities			
Operating income	<u>\$ 67,863</u>	<u>\$ 25,775</u>	<u>\$ 93,638</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	179,964	35,547	215,511
(Increase) decrease in accounts receivable - net	96,224	-	96,224
(Increase) decrease in interest receivable	98	-	98
(Increase) decrease in inventories	(9,710)	-	(9,710)
(Increase) decrease in customer lists	2,961	-	2,961
Increase (decrease) in accounts payable	(23,312)	2,067	(21,245)
Increase (decrease) in accrued liabilities	(184)	860	676
Increase (decrease) in compensated absences payable	(4,099)	1,993	(2,106)
Increase (decrease) in customer deposits	<u>6,837</u>	<u>-</u>	<u>6,837</u>
Total adjustments	<u>248,779</u>	<u>40,467</u>	<u>289,246</u>
Net cash provided (used) by operating activities	<u>\$ 316,642</u>	<u>\$ 66,242</u>	<u>\$ 382,884</u>

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Notes to Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Signal Mountain, 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 Town of Signal Mountain, Tennessee operates under the Town Manager - Council form of government within the following departments: general government, public safety, public works, public welfare and recreation, and maintenance shop.

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 Town of Signal Mountain, 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. The component unit discussed in this note is included in the Town's reporting entity because of the significance of its operational or financial relationship with the Town.

Discretely Presented Component Unit

The Public Library Board (PLB) provides public welfare assistance to the residents of the Town by providing educational reading material and assistance. The Town of Signal Mountain, Tennessee appoints all of the Board members and approves the operating budget of the PLB.

The Component Unit column in the government-wide financial statements includes the financial data of this component unit. It is reported in a separate column of the government-wide financial statements to emphasize that it is legally separate from, and does not provide services exclusively to the Town. Separately issued financial statements of the PLB are not available.

B. Basic Financial Statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

Government-wide statements

The Statement of Net Position and 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 Town. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis, 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.

The Statement of Activities presents both a gross and net cost comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town'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 Town 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 Town's funds, including its governmental funds and enterprise funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

General Fund

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

Capital Projects fund

The Capital Projects Fund is used to account for the purchase and replacement of vehicles and rolling stock.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town reports the following major proprietary fund:

Water Fund

This fund is used to account for the provision of water services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, billing and collection.

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, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 Town 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. License 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 the principal and interest on general 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 general 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operation. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town's Water Fund also recognizes as operating revenue the portion of the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 Town's policy to use restricted resources first, then unrestricted resources as needed.

All governmental and business-type activities of the Town follow FASB ASC unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Balance Policy

Committed Fund Balances:

The Town Council has 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 Town Council has 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. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The Town follows the following procedures in establishing the budgetary data reflected in the financial statements.

In mid-April of each year the Town Manager holds budget hearings with all department heads submitting requests. The operating budget includes proposed expenditures and the means of financing them. A five-year capital budget is presented in conjunction with the operating budget.

By May 1, the Town Manager presents a budget to the Council.

Beginning in mid-May the Town Council holds meetings to develop a final budget.

Prior to July 1, the budget is adopted by a budget ordinance and a tax rate ordinance.

The Town Manager is authorized to transfer budgeted amounts within any department; however, any revisions that alter the total expenditures of any department must be approved by the Town Council. Expenditures may not exceed appropriations at the fund level.

Formal legally adopted budgets are employed as a management control device during the year for all funds. Budgeted amounts reflected in the accompanying final budget and actual comparison are as originally adopted or amended by the Town Council.

All appropriations that are not expended lapse at year end.

During the year, supplementary appropriations were necessary. The effect of the amendments increased budgeted revenues by \$86,661 and decreased budgeted expenditures by \$32,093 in the General Fund.

F. Cash and Cash Equivalents

For purposes of reporting cash on the Statement of Net Position, the Town considers unrestricted highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash consist of cash-on-hand and on-deposit with financial institutions. These are classified on the Statement of Cash Flows as "Cash". At June 30, 2013, the Town had no cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investments are carried at market which approximates cost, and consist of deposits in the State of Tennessee Local Government Investment Pool (LGIP) and certificates-of-deposit. These are classified on the Statement of Net Position as "Investments" and "Investments - restricted".

The Town 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. Inventories and Prepaid Items

Inventories are valued at average cost. The cost of an inventory item is recorded as an expense at the time of purchase. Inventories on hand at year-end are physically counted and recorded as assets, reducing the appropriate expense account.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. Restricted Investments

In April 1999, the Town enacted and levied a retail sales privilege tax of ½% in addition to the existing sales tax subject to the approval of the voters as allowed by State statutes. In May 1999, the voters in the Town approved the additional sales tax in a referendum election. The referendum restricted the sales tax to the purpose of aiding in the building of a high school in the Town or if in the judgment of the Town Council such high school was not going to be built, the proceeds of the sales tax were restricted to education. On July 1, 2004, a county-wide local sales tax became effective. The enactment of the county-wide local sales tax eliminated the restriction of any further local sales tax collected.

J. 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 from other funds and due to other funds in the fund financial statements and are subject to elimination upon consolidation. Any residual balances outstanding between governmental activities and the business-type activities are reported in the government-wide financial statements as "Internal balances".

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 expense 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 and reported after non-operating revenue or expenses in the enterprise funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., primary roads, secondary roads, drainage), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town 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 actual historical cost is not available. Donated capital assets are recorded at estimated fair 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 of the proprietary funds are accounted for in the proprietary fund and are stated at cost or estimated fair value when original cost is not available. Major additions are capitalized while maintenance and repairs, including the cost of minor items of property, are expensed as incurred. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets.

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

<u>Asset Class</u>	
Buildings and other improvements	10 - 40 years
Equipment	5 - 20 years
Public improvements (infrastructure)	40 years
Plant in service	50 years

The Town's policy is to capitalize the net interest cost incurred during the year resulting from borrowings utilized to finance the construction of assets.

L. 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.

M. Customer Deposits

The customer deposits represent the liability to customers for refundable deposits received from the customers.

N. 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 represent 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.

O. Property Taxes

Property taxes levied by the Town are assessed by the Tax Assessor of Hamilton County, Tennessee, and collected by the Town. Property tax revenues are recognized on the accrual basis in the government-wide financial statements and in the governmental funds on the modified accrual basis. Proper allowances are made for estimated uncollectible accounts and delinquent accounts when necessary.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Town has evaluated events and transactions that occurred between June 30, 2013, and November 13, 2013, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure the Town's deposits may not be returned to it. The Town does not have a deposit or investment policy for custodial credit risk, however, the State of Tennessee requires its governmental entities to either meet the deposit and collateralization regulations under TCA Title 9, Chapter 4, Parts 1 and 4, or as provided in the collateral pool. As of June 30, 2013, the carrying amount of the Town's deposits was \$5,219,691, and the bank balance was \$5,590,706. None of the Town'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 Town's deposits is classified as follows on the Statement of Net Position:

Cash	\$ 3,400,338
Investments	5,907,783
Restricted investments	27,436
Less: Investments in LGIP	(4,114,841)
Petty cash	(1,025)
Total	<u>\$ 5,219,691</u>

Investments

The Town's investments are carried at fair value, and consist of investments in the State of Tennessee Local Government Investment Pool (LGIP) and certificates-of-deposits. The LGIP is considered a 2a-7 like account (SEC designation) and is only required to be reported at amortized cost. The LGIP is an unrated investment pool. Because the fund is valued at a constant dollar, the Town's position in the pool is equal to its account balance (fair value) as of June 30, 2013. The Town's investments are listed on the Statement of Net Position as follows:

Investments	\$ 5,907,783
Restricted investments	27,436
Total	<u>\$ 5,935,219</u>

\$27,436 of the investments is restricted for payment of debt on a new high school.

NOTE 3 - PROPERTY TAXES - NET

Tax rate for the 2013 levy is \$1.5684 per \$100 of assessed valuation and the tax rate for the 2012 levy is \$1.6634 per \$100 of assessed valuation.

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

The property tax calendar applicable to the current fiscal year is as follows:

Lien date	January 1, 2013
Levy date	January 1, 2013
Tax bills mailed	October 1, 2012
Payment due date	October 1, 2012
	Through February 28, 2013
Delinquency date	March 1, 2013

Property taxes receivable as of June 30, 2013, are composed of the following:

<u>Year of Levy</u>	
2013	\$ 4,064,912
2012	77,723
2011	28,045
2010	16,653
2009	14,578
2008	1,132
2007	671
2006	645
2005	666
2004	911
	<u>4,205,936</u>
Less: allowance for uncollectibles	<u>(69,999)</u>
Property taxes receivable - net	<u>\$ 4,135,937</u>

NOTE 4 - ACCOUNTS RECEIVABLE - NET

Accounts and other receivables at June 30, 2013, consist of the following:

	Governmental Activities	Business-Type Activities	Total
Customer accounts	\$ -	\$ 358,801	\$ 358,801
Wholesale beer tax	6,628	-	6,628
Miscellaneous	6,712	-	6,712
Total	13,340	358,801	372,141
Less allowance for uncollectible accounts	-	(2,904)	(2,904)
	<u>\$13,340</u>	<u>\$ 355,897</u>	<u>\$ 369,237</u>

Bad debt expense was \$0 for year ended June 30, 2013.

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Due from other governments as of June 30, 2013, consists of the following receivables from the State of Tennessee.

State income tax	\$ 764,488
State street aid revenues	37,302
City streets and transportation revenues	2,717
Mixed drink tax revenue	5,040
State sales tax revenue	97,224
Local sales tax revenue	63,244
Business tax revenue	9,211
Other	1,116
	<u>\$ 980,342</u>

Due to collection history, no allowance for bad debt was considered necessary.

NOTE 6 - INTERNAL BALANCES

Due to/from other funds at June 30, 2013, are as follows:

	Due From:			
Due to:	General Fund	State Street Aid Fund	Water Fund	Total
General Fund	\$ -	\$ 100,000	\$ 40,777	\$ 140,777
Capital Projects Fund	6,670	-	-	6,670
Drug Fund	1,524	-	-	1,524
Stormwater Fund	233,644	-	-	233,644
	<u>\$ 241,838</u>	<u>\$ 100,000</u>	<u>\$ 40,777</u>	<u>\$ 382,615</u>

All balances are expected to be repaid within one year.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 813,839	\$ -	\$ -	\$ 813,839
Total capital assets not being depreciated	<u>813,839</u>	<u>-</u>	<u>-</u>	<u>813,839</u>
Capital assets being depreciated:				
Building and other improvements	5,448,200	66,895	(20,242)	5,494,853
Equipment	4,091,803	235,663	(2,933)	4,324,533
Public improvements (infrastructure)	<u>2,217,403</u>	<u>43,350</u>	<u>-</u>	<u>2,260,753</u>
Total capital assets being depreciated	<u>11,757,406</u>	<u>345,908</u>	<u>(23,175)</u>	<u>12,080,139</u>
Less accumulated depreciation for:				
Buildings and other improvements	2,926,600	132,530	(20,242)	3,038,888
Equipment	2,629,135	250,035	(2,933)	2,876,237
Public improvements (infrastructure)	<u>539,722</u>	<u>70,406</u>	<u>-</u>	<u>610,128</u>
Total accumulated depreciation	<u>6,095,457</u>	<u>452,971</u>	<u>(23,175)</u>	<u>6,525,253</u>
Total capital assets being depreciated - net	<u>5,661,949</u>	<u>(107,063)</u>	<u>-</u>	<u>5,554,886</u>
Governmental activities capital assets - net	<u>\$ 6,475,788</u>	<u>\$ (107,063)</u>	<u>\$ -</u>	<u>\$ 6,368,725</u>

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

General government	\$ 18,213
Public safety	147,928
Public works	161,810
Public welfare and recreation	121,567
Maintenance shop	3,453
Total	<u>\$ 452,971</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 95	\$ -	\$ -	\$ -	\$ 95
Construction in progress	<u>354,630</u>	<u>10,500</u>	<u>-</u>	<u>(354,630)</u>	<u>10,500</u>
Total capital assets not being depreciated:	<u>354,725</u>	<u>10,500</u>	<u>-</u>	<u>(354,630)</u>	<u>10,595</u>
Capital assets being depreciated:					
Plant in service	6,176,552	129,443	-	354,630	6,660,625
Equipment	<u>1,036,992</u>	<u>66,305</u>	<u>-</u>	<u>-</u>	<u>1,103,297</u>
Total capital assets being depreciated	<u>7,213,544</u>	<u>195,748</u>	<u>-</u>	<u>354,630</u>	<u>7,763,922</u>
Less accumulated depreciation for:					
Plant in service	3,342,927	125,553	-	-	3,468,480
Equipment	<u>690,696</u>	<u>89,958</u>	<u>-</u>	<u>-</u>	<u>780,654</u>
Total capital depreciation	<u>4,033,623</u>	<u>215,511</u>	<u>-</u>	<u>-</u>	<u>4,249,134</u>
Total capital assets being depreciated - net	<u>3,179,921</u>	<u>(19,763)</u>	<u>-</u>	<u>354,630</u>	<u>3,514,788</u>
Business-type activities capital assets - net	<u>\$3,534,646</u>	<u>\$ (9,263)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,525,383</u>

NOTE 7 - CAPITAL ASSETS (Continued)

A summary of business-type capital assets by fund at June 30, 2013, follows:

	<u>Water Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Land	\$ 95	\$ -	\$ 95
Construction in progress	10,500	-	10,500
Buildings	182,175	-	182,175
Improvements other than buildings	6,478,450	-	6,478,450
Machinery and equipment	494,126	-	494,126
Vehicles	196,670	175,764	372,434
Office and computer equipment	25,338	211,398	236,736
Total	7,387,354	387,162	7,774,516
Less accumulated depreciation	(4,007,550)	(241,583)	(4,249,133)
Business-type capital assets - net	<u>\$ 3,379,804</u>	<u>\$ 145,579</u>	<u>\$ 3,525,383</u>

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

Water	\$ 179,964
Stormwater	<u>35,547</u>
Total	<u>\$ 215,511</u>

NOTE 8 - DEFERRED REVENUE - PROPERTY TAXES

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	<u>\$63,883</u>	<u>\$ 4,064,912</u>	<u>\$4,128,795</u>

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

NOTE 9 - LONG-TERM DEBT

A. Governmental Debt

Long-term debt, which consists of capital outlay notes, and compensated absences is summarized as follows:

	<u>Issue Date</u>	<u>Principal Balance</u>
Capital outlay note, Series 2007, variable rate loan averaging 5.00%, due 5/25/2021		\$ 1,923,949
Capital outlay note, Local Government Energy Efficiency Loan, 0% interest, due 2/2015	12-17-07	11,514
Capital outlay note, Series 2010, 2.75% interest, due 8/15/2018	09-15-10	453,840
Compensated absences payable		<u>147,303</u>
		2,536,606
Less: current portion of governmental long-term debt		<u>(395,637)</u>
Total governmental long-term debt		<u>\$ 2,140,969</u>

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

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2013</u>	<u>Amount Due Within One Year</u>
Capital outlay note, 2007	\$2,528,281	\$ -	\$ (604,332)	\$ 1,923,949	\$ 307,000
Capital outlay note	17,272	-	(5,758)	11,514	5,757
Capital outlay note, 2010	534,460	-	(80,620)	453,840	82,880
Compensated absences	<u>176,921</u>	<u>-</u>	<u>(29,618)</u>	<u>147,303</u>	<u>-</u>
Total	<u>\$3,256,934</u>	<u>\$ -</u>	<u>\$ (720,328)</u>	2,536,606	<u>\$ 395,637</u>
Less: Current portion of governmental long-term debt				<u>(395,637)</u>	
Total governmental long-term debt				<u>\$ 2,140,969</u>	

Interest paid during the year ended June 30, 2013, on governmental long-term debt was \$49,248.

There are various limitations and restrictions contained in the note indenture. The Town is in compliance with all significant limitations and restrictions.

Governmental debt service requirements to maturity including interest of \$1,178,558 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 395,637	\$ 242,805	\$ 638,442
2015	410,957	225,147	636,104
2016	419,580	206,774	626,354
2017	436,000	187,735	623,735
2018	452,520	167,929	620,449
2019	<u>274,609</u>	<u>148,168</u>	<u>422,777</u>
	<u>\$ 2,389,303</u>	<u>\$ 1,178,558</u>	<u>\$ 3,567,861</u>

NOTE 9 - LONG-TERM DEBT (Continued)**A. Governmental Debt (Continued)**

Note: Compensated absences are not included in the above debt service requirement schedule due to their inestimable nature. Also, interest on the 2007 capital outlay note is averaged at 5.0%.

B. Business-type Debt**Water Fund**

Long-term debt payable by the Water Fund, which consists of compensated absences, is summarized as follows:

Compensated absences					<u>Principal Balance</u> \$ 28,027
	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amount Due Within One Year</u>
Compensated absences	\$ 32,126	\$ -	\$ (4,099)	\$ 28,027	\$ -
Less: current portion of water long-term debt				-	
Total water long-term debt				\$ 28,027	

Interest expense of the Water Fund during the year amounted to \$0.

Stormwater Fund

Long-term debt payable by the Stormwater Fund, which consists of compensated absences, is summarized as follows:

Compensated absences					<u>Principal Balance</u> \$2,993
	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amount Due Within One Year</u>
Compensated absences	\$ 1,000	\$1,993	\$ -	\$ 2,993	\$ -
Less: Current portion of stormwater long-term debt				-	
Total stormwater long-term debt				\$ 2,993	

Interest expense of the Stormwater Fund during the year amounted to \$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:

Nonspendable Fund Balance

Fund balances reported as nonspendable in the accompanying financial statements represent amounts that due to their nature cannot be spent. \$1,505 is nonspendable inventory.

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. \$27,436 is legally restricted for debt service on a local middle/high school. \$28,000 is legally restricted for use by the Mountain Arts Community Center. \$13,614 is legally restricted for use in investigations of drug-related violations and drug prevention programs. \$157,864 is legally restricted for use in the State Street Aid Fund for street expenditures.

Committed Fund Balance

Fund balances reported as committed in the accompanying financial statements represent amounts with self-imposed constraints put on the use of the funds by the government's highest level of authority and must be made by formal action. \$1,028,417 is committed for the purchase of mobile assets.

Assigned Fund Balance

Fund balances reported as assigned in the accompanying financial statements represent amounts set aside for the intended use of a specific purpose. \$437,889 is assigned for fire hall construction.

Unassigned Fund Balance

In accordance with generally accepted accounting principles, the General Fund is the only fund at the Town 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 Town records restrictions of net position which are maintained for specific purposes. The nature and purpose of the restrictions and designations are explained as follows:

\$27,436 is legally restricted for debt service on a local middle/high school.

\$28,000 is legally restricted for use by the Mountain Arts Community Center.

\$13,614 is legally restricted for use in investigations of drug-related violations and drug prevention programs.

\$157,864 is legally restricted for use in the State Street Aid Fund for street expenditures.

NOTE 12 - TRANSFERS

Transfers for the current year were as follows:

	<u>Transfers to:</u>
	Capital Projects
<u>Transfer from:</u>	<u>Fund</u>
General Fund	<u>\$266,077</u>

The Town limits the use of its Capital Projects Fund to the purchase and replacement of vehicles and rolling stock, rather than all capital assets, and officially changed the Fund's title to "Vehicle Replacement Fund". This conversion is part of a vehicle replacement plan that schedules the systematic replacement and funding of modular equipment. The transfers made between the General and Vehicle Replacement Funds were to this end.

NOTE 13 - LITIGATION AND CLAIMS

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

NOTE 14 - EMPLOYEE PENSION PLAN

A. Plan Description

Employees of Signal Mountain 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. Signal Mountain 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 Signal Mountain participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

B. Funding Policy

Signal Mountain requires employees to contribute 5.0 percent of earnable compensation.

Signal Mountain is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013, was 10.28% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Signal Mountain is established and may be amended by the TCRS Board of Trustees.

C. Annual Pension Cost

For the year ending June 30, 2013, Signal Mountain's annual pension cost of \$249,733 to TCRS was equal to Signal Mountain'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), and (d) projected 3.5 percent annual increase in the Social Security wage base. 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. Signal Mountain's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 11, 2011, was 11 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

NOTE 14 - EMPLOYEE PENSION PLAN (Continued)**D. Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/13	\$ 249,733	100.00%	\$0.00
6/30/12	\$ 243,696	100.00%	\$0.00
6/30/11	\$ 243,115	100.00%	\$0.00

E. Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 81.79% funded. The actuarial accrued liability for benefits was \$6.29 million, and the actuarial value of assets was \$5.14 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.14 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.11 million, and the ratio of the UAAL to the covered payroll was 54.30%.

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 AAL's for benefits.

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b)-(a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
July 01, 2011	\$ 5,141	\$ 6,286	\$ 1,145	81.79%	\$ 2,108	54.30%

NOTE 15 - COMMERCIAL INSURANCE

It is the policy of the Town to purchase commercial insurance for various risks of losses to which it is exposed. These risks include public official and employee dishonesty bonds. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 16 - COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS

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

NOTE 17 - RISK MANAGEMENT POOL

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

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

Coverages are as follows:

Buildings and personal property	\$15,004,882
Comprehensive general liability	State tort limits* and \$1,000,000 non-state torts
Automobile liability	State tort limits* and \$1,000,000 non-state torts
Error or omissions	\$1,000,000 per occurrence
Workers compensation	\$300,000 each accident \$300,000 each employee \$700,000 policy limit
*State Tort Limits:	
\$300,000 per person	
\$700,000 per occurrence	
\$300,000 per property	

The responsibilities of the Town are as follows:

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

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

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

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

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

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

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

NOTE 17 - RISK MANAGEMENT POOL (Continued)

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

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 Town participates.

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

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

The responsibilities of TML are as follows:

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

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

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

The Town has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The Town is not aware of any claims which the Town is liable for (in excess of insurance coverage) which were outstanding and unpaid at June 30, 2013. No provision has been made in the financial statements for the year ended June 30, 2013, for any estimate of potential unpaid claims.

NOTE 18 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that, "long-term liabilities, including notes payable and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds". The details of this \$(2,536,606) difference are as follows:

Notes payable	\$(2,389,303)
Compensated absences	<u>(147,303)</u>
Net adjustment	<u><u>\$ (2,536,606)</u></u>

NOTE 18 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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 fund Statement of Revenues, Expenditures and Changes in Fund Balances includes 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 \$(107,063) difference are as follows:

Capital outlay	\$ 345,908
Depreciation expense	<u>(452,971)</u>
Net adjustment	<u>\$ (107,063)</u>

Another element of that reconciliation states that, "Repayment of long-term debt is reported as expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position". The details of this \$690,710 difference are as follows:

Principal repayments:	
Notes annual payments	<u>\$ 690,710</u>
Net adjustment	<u>\$ 690,710</u>

NOTE 19 - RESTATEMENT OF FUND BALANCE AND NET POSITION

The General Fund's beginning fund balance was restated due to \$10,001 of grant funds that were held back from the State of Tennessee. The General Fund's beginning fund balance is shown as follows:

Fund balance at June 30, 2012	\$ 5,058,180
Grant funds not received	<u>(10,001)</u>
Fund balance as restated	<u>\$ 5,048,179</u>

Beginning net position was also restated as follows:

Net position at June 30, 2012	\$ 9,439,080
Grant funds not received	<u>(10,001)</u>
Net position as restated	<u>\$ 9,429,079</u>

**REQUIRED SUPPLEMENTAL INFORMATION OTHER THAN MANAGEMENT'S
DISCUSSION AND ANALYSIS**

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Tennessee Consolidated Retirement System
Schedule of Funding Progress
June 30, 2013

(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, 2011	\$5,141	\$6,286	\$1,145	81.79%	\$2,108	54.30%
July 1, 2009	\$4,243	\$4,623	\$380	91.79%	\$2,218	17.12%
July 1, 2007	\$3,954	\$4,366	\$412	90.56%	\$2,106	19.56%

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.

State Street Aid Fund: This fund is used to account for the expenditures of the Town's streets that are funded by tax revenues from the gasoline and motor fuels tax received from the State of Tennessee and other general tax revenues transferred from the General Fund.

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Non-major Governmental Fund
Combining Balance Sheet
June 30, 2013

	Special Revenue		Total
	Drug Fund	State Street Aid Fund	Non-major Governmental Funds
ASSETS			
Cash	\$ 12,090	\$ 43,625	\$ 55,715
Investments	-	205,566	205,566
Due from other funds	1,524	-	1,524
Due from other governments	-	37,302	37,302
TOTAL ASSETS	\$ 13,614	\$ 286,493	\$ 300,107
LIABILITIES			
Accounts payable	\$ -	\$ 28,629	28,629
Due to other funds	-	100,000	100,000
Total liabilities	-	128,629	128,629
FUND BALANCES			
Restricted	13,614	157,864	171,478
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,614	\$ 286,493	\$ 300,107

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Non-Major Governmental Fund
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2013

	Special Revenue		Total
	Drug Fund	State Street Aid Fund	Non-major Governmental Funds
REVENUES			
Intergovernmental	\$ -	\$ 375,004	\$ 375,004
Fines and forfeitures	1,525	-	1,525
Other revenues	<u>1,509</u>	<u>370</u>	<u>1,879</u>
TOTAL REVENUES	<u>3,034</u>	<u>375,374</u>	<u>378,408</u>
EXPENDITURES			
Current Expenditures			
Public safety	223	-	223
Public works	-	54,128	54,128
Capital Outlay	<u>2,945</u>	<u>383,809</u>	<u>386,754</u>
TOTAL EXPENDITURES	<u>3,168</u>	<u>437,937</u>	<u>441,105</u>
Excess (deficiency) of revenues over (under) expenditures	(134)	(62,563)	(62,697)
Fund balances - beginning	<u>13,748</u>	<u>220,427</u>	<u>234,175</u>
Fund balances - end	<u>\$ 13,614</u>	<u>\$ 157,864</u>	<u>\$ 171,478</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Drug Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures				
City court revenues	<u>\$ 2,800</u>	<u>\$ 2,800</u>	<u>\$ 1,525</u>	<u>\$ (1,275)</u>
Other revenues				
Interest earnings	6	6	9	3
Donation	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>1,500</u>
Total other revenues	<u>6</u>	<u>6</u>	<u>1,509</u>	<u>1,503</u>
TOTAL REVENUES	<u>2,806</u>	<u>2,806</u>	<u>3,034</u>	<u>228</u>
EXPENDITURES				
Current Expenditures				
Public safety				
Drug prevention	1,500	1,500	-	1,500
Other drug related expenditures	<u>500</u>	<u>500</u>	<u>223</u>	<u>277</u>
Total public safety	<u>2,000</u>	<u>2,000</u>	<u>223</u>	<u>1,777</u>
Capital Outlay				
Public safety				
Equipment	<u>4,000</u>	<u>4,000</u>	<u>2,945</u>	<u>1,055</u>
TOTAL EXPENDITURES	<u>6,000</u>	<u>6,000</u>	<u>3,168</u>	<u>2,832</u>
Net changes in fund balances	(3,194)	(3,194)	(134)	3,060
Fund balances - beginning	<u>13,748</u>	<u>13,748</u>	<u>13,748</u>	<u>-</u>
Fund balances - end	<u>\$ 10,554</u>	<u>\$ 10,554</u>	<u>\$ 13,614</u>	<u>\$ 3,060</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
State Street Aid Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2013

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Intergovernmental				
Grants	\$ 129,500	\$ 129,500	\$ 178,625	\$ 49,125
Streets and transportation	200,000	200,000	196,379	(3,621)
Total intergovernmental	<u>329,500</u>	<u>329,500</u>	<u>375,004</u>	<u>45,504</u>
Other revenues				
Interest earnings	100	100	239	139
Miscellaneous	-	-	131	131
Total other revenues	<u>100</u>	<u>100</u>	<u>370</u>	<u>270</u>
TOTAL REVENUES	<u>329,600</u>	<u>329,600</u>	<u>375,374</u>	<u>45,774</u>
EXPENDITURES				
Current Expenditures				
Public works				
Highways and street maintenance				
Street lighting (electricity)	16,500	16,500	18,553	(2,053)
Engineering	130,000	130,000	-	130,000
Tree removal	14,500	14,500	14,528	(28)
Paint and stripping	<u>28,322</u>	<u>28,322</u>	<u>21,047</u>	<u>7,275</u>
Total public works	<u>189,322</u>	<u>189,322</u>	<u>54,128</u>	<u>135,194</u>
Capital Outlay				
Public works				
Highways and street maintenance				
Street infrastructure	285,000	285,000	355,534	(70,534)
Other improvements	<u>275,000</u>	<u>275,000</u>	<u>28,275</u>	<u>246,725</u>
Total public works	<u>560,000</u>	<u>560,000</u>	<u>383,809</u>	<u>176,191</u>
TOTAL EXPENDITURES	<u>749,322</u>	<u>749,322</u>	<u>437,937</u>	<u>311,385</u>
Net changes in fund balances	(419,722)	(419,722)	(62,563)	357,159
Fund balances - beginning	<u>220,427</u>	<u>220,427</u>	<u>220,427</u>	<u>-</u>
Fund balances - end	<u>\$ (199,295)</u>	<u>\$ (199,295)</u>	<u>\$ 157,864</u>	<u>\$ 357,159</u>

FINANCIAL SCHEDULES

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2013

Grantor/Pass-through Agency	CFDA Number	State Grant/Project Number	(Accrued) Deferred		Grant Revenues Received	Expenditures	(Accrued) Deferred Grant Revenues June 30, 2013
			Grant Revenues July 1, 2012				
Federal							
U.S. Department of Transportation Transportation Enhancement Section	20.205	STP-M-4023(2)	\$ -		\$ 178,625	\$ 178,625	\$ -
State							
Department of Environment and Conservation	-	GG-11-34690-00	(82,500)		72,499 10,001 **	-	-
TN Emergency Management Agency	-	8011-ICF	(7,067)		7,067	-	-
Total State Awards			(89,567)		89,567	-	-
Total Federal and State Awards			\$ (89,567)		\$ 268,192	\$ 178,625	\$ -

** State held back \$10,001.

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Notes to the Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2013

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the Town of Signal Mountain, Tennessee and is presented on the modified accrual basis of accounting.

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Taxes	\$ 4,065,750	\$ 4,069,415	\$ 4,131,880	\$ 62,465
Licenses and permits	23,550	83,255	97,338	14,083
Intergovernmental	1,025,100	1,023,100	1,416,950	393,850
Charges for services	297,220	293,400	273,120	(20,280)
Fines and forfeitures	50,000	65,000	60,198	(4,802)
Other revenue	227,242	241,353	194,407	(46,946)
TOTAL REVENUES	<u>5,688,862</u>	<u>5,775,523</u>	<u>6,173,893</u>	<u>398,370</u>
EXPENDITURES				
Current Expenditures				
General government				
Judicial	42,671	44,144	45,140	(996)
Financial administration	515,249	522,349	481,471	40,878
Building inspection	34,545	69,728	61,842	7,886
Public safety				
Police department	1,166,528	1,157,617	1,104,077	53,540
Fire department	1,313,738	1,313,738	1,232,807	80,931
Highways and streets				
Public works administration	145,599	145,599	110,163	35,436
Highway and street maintenance	368,402	380,834	287,228	93,606
Sanitation				
Solid waste department	494,550	507,133	422,564	84,569
Recycle center	60,302	60,302	61,997	(1,695)
Public welfare and recreation				
Recreation	374,277	386,426	386,874	(448)
Mountain Arts	160,649	160,649	169,294	(8,645)
Libraries	143,714	144,253	141,641	2,612
Maintenance shop	75,605	82,605	76,652	5,953
Capital Outlay				
General government				
Financial administration	16,000	16,000	9,996	6,004
Building inspection	1,500	1,500	1,558	(58)
Public safety				
Police department	29,300	29,300	29,082	218
Fire department	20,000	20,000	15,073	4,927
Highways and streets				
Public works administration	1,500	1,500	1,306	194
Highways and street maintenance	16,000	16,000	16,986	(986)
Public welfare and recreation				
Recreation	85,200	85,200	77,079	8,121
Mountain Arts	148,000	40,709	2,315	38,394
Debt Service	<u>750,414</u>	<u>746,064</u>	<u>739,958</u>	<u>6,106</u>
TOTAL EXPENDITURES	<u>5,963,743</u>	<u>5,931,650</u>	<u>5,475,103</u>	<u>456,547</u>
Excess (deficiency) of revenues over (under) expenditures	(274,881)	(156,127)	698,790	854,917
OTHER FINANCING SOURCES (USES)				
Transfers out	(266,077)	(266,077)	(266,077)	-
Net changes in fund balances	(540,958)	(422,204)	432,713	854,917
Fund balances - beginning	<u>5,048,179</u>	<u>5,048,179</u>	<u>5,048,179</u>	<u>-</u>
Fund balances - end	<u>\$ 4,507,221</u>	<u>\$ 4,625,975</u>	<u>\$ 5,480,892</u>	<u>\$ 854,917</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2013

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Other revenues				
Interest earnings	\$ 4,500	\$ 4,500	\$ 2,182	\$ (2,318)
Sale of assets	<u>-</u>	<u>-</u>	<u>8,495</u>	<u>8,495</u>
TOTAL REVENUES	<u>4,500</u>	<u>4,500</u>	<u>10,677</u>	<u>6,177</u>
EXPENDITURES				
Capital Outlay				
Public safety				
Vehicles	75,000	75,000	73,130	1,870
Public works				
Vehicles	<u>331,500</u>	<u>331,500</u>	<u>69,999</u>	<u>261,501</u>
Total capital outlay	<u>406,500</u>	<u>406,500</u>	<u>143,129</u>	<u>263,371</u>
TOTAL EXPENDITURES	<u>406,500</u>	<u>406,500</u>	<u>143,129</u>	<u>263,371</u>
Excess (deficiency) of revenues over (under) expenditures	(402,000)	(402,000)	(132,452)	269,548
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>266,077</u>	<u>266,077</u>	<u>266,077</u>	<u>-</u>
Net changes in fund balances	(135,923)	(135,923)	133,625	269,548
Fund balances - beginning	<u>894,792</u>	<u>894,792</u>	<u>894,792</u>	<u>-</u>
Fund balances - end	<u>\$ 758,869</u>	<u>\$ 758,869</u>	<u>\$ 1,028,417</u>	<u>\$ 269,548</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Solid Waste Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Charges for services				
Sanitation charges for service	\$ 43,450	\$ 48,750	\$ 48,513	\$ (237)
Other revenues				
Interest earnings	95	95	128	33
Sale of materials and supplies	18,200	19,250	24,955	5,705
Miscellaneous	447	447	315	(132)
Total other revenues	18,742	19,792	25,398	5,606
TOTAL REVENUES	62,192	68,542	73,911	5,369
EXPENDITURES				
Current Expenditures				
Public Works				
Solid waste department				
Salaries	169,720	175,370	177,007	(1,637)
Payroll taxes	11,563	11,563	12,558	(995)
Employee fringe benefits	10,839	10,839	6,139	4,700
Pension expense	10,487	14,420	13,696	724
Insurance	18,923	18,923	8,781	10,142
Landfill - hauling services	54,460	54,460	41,111	13,349
Landfill services	100,408	100,408	74,933	25,475
Miscellaneous	2,700	2,700	2,393	307
Office supplies	300	300	176	124
Operating supplies	1,800	1,800	1,659	141
Postage and printing	1,450	1,450	1,510	(60)
Professional services	38,000	38,000	21,162	16,838
Repair and maintenance	21,000	21,000	20,229	771
Telephone and other communications	500	500	172	328
Travel and training	1,200	1,200	1,309	(109)
Vehicle expense	51,200	54,200	39,729	14,471
Total solid waste department	494,550	507,133	422,564	84,569

(Continued)

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Solid Waste Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public Works (Continued)				
Recycle center				
Salaries	\$ 7,821	\$ 7,821	\$ 8,580	\$ (759)
Payroll taxes	598	598	608	(10)
Employee fringe benefits	1,009	1,009	935	74
Pension expense	660	660	724	(64)
Insurance	1,437	1,437	4,392	(2,955)
Operating supplies	290	290	1,338	(1,048)
Professional services	44,112	44,112	44,112	-
Repair and maintenance	3,000	3,000	167	2,833
Telephone and other communications	600	600	444	156
Utilities	775	775	697	78
Total recycle center	<u>60,302</u>	<u>60,302</u>	<u>61,997</u>	<u>(1,695)</u>
Total current expenditures	<u>554,852</u>	<u>567,435</u>	<u>484,561</u>	<u>82,874</u>
TOTAL EXPENDITURES	<u>554,852</u>	<u>567,435</u>	<u>484,561</u>	<u>82,874</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(492,660)</u>	<u>(498,893)</u>	<u>(410,650)</u>	<u>88,243</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	540,865	547,098	495,792	(51,306)
Transfers out	<u>(48,205)</u>	<u>(48,205)</u>	<u>(48,205)</u>	<u>-</u>
Total other financing sources (uses)	<u>492,660</u>	<u>498,893</u>	<u>447,587</u>	<u>(51,306)</u>
Net changes in fund balances	-	-	36,937	36,937
Fund balances - beginning	<u>159,377</u>	<u>159,377</u>	<u>159,377</u>	<u>-</u>
Fund balances - end	<u>\$ 159,377</u>	<u>\$ 159,377</u>	<u>\$ 196,314</u>	<u>\$ 36,937</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Water Fund
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year Ended June 30, 2013

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
OPERATING REVENUES				
Water service charges	\$ 1,536,000	\$ 1,536,000	\$ 1,345,601	\$ (190,399)
Water service penalties	24,245	24,245	25,884	1,639
Other revenue	4,000	4,000	5,961	1,961
Total operating revenues	<u>1,564,245</u>	<u>1,564,245</u>	<u>1,377,446</u>	<u>(186,799)</u>
OPERATING EXPENSES				
Water purchases	<u>475,000</u>	<u>475,000</u>	<u>331,516</u>	<u>143,484</u>
Power and pumping				
Office supplies and expense	500	500	-	500
Operating supplies and expense	1,500	1,500	1,185	315
Repairs and maintenance	10,000	10,000	14,205	(4,205)
Telephone and other communication	1,600	1,600	1,524	76
Utilities	203,623	203,623	193,060	10,563
Total power and pumping	<u>217,223</u>	<u>217,223</u>	<u>209,974</u>	<u>7,249</u>
Treatment and transmission				
Operating supplies and expense	355,000	355,000	4,181	350,819
Postage and printing	1,800	1,800	1,739	61
Professional services	35,000	35,000	7,428	27,572
Repairs and maintenance	174,158	174,158	200,513	(26,355)
Travel and training	400	400	-	400
Vehicle expense	11,240	11,240	11,043	197
Total treatment and transmission	<u>577,598</u>	<u>577,598</u>	<u>224,904</u>	<u>352,694</u>
Maintenance				
Salaries	182,633	182,633	182,868	(235)
Payroll taxes	13,972	13,972	13,491	481
Fringe benefits	33,711	33,711	30,965	2,746
Pension expense	15,414	15,414	15,684	(270)
Insurance	11,338	11,338	6,209	5,129
Miscellaneous	100	100	-	100
Operating supplies and expense	86,700	86,700	10,528	76,172
Repairs and maintenance	11,000	11,000	2,937	8,063
Telephone and other communication	2,000	2,000	1,626	374
Travel and training	1,000	1,000	748	252
Utilities	200,250	200,250	14,540	185,710
Vehicle expense	3,000	3,000	1,373	1,627
Total maintenance	<u>561,118</u>	<u>561,118</u>	<u>280,969</u>	<u>280,149</u>

(Continued)

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Water Fund
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual (Continued)
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING EXPENSES (Continued)				
Administration				
Salaries	\$ 38,214	\$ 38,214	\$ 37,732	\$ 482
Payroll taxes	2,923	2,923	2,940	(17)
Fringe benefits	7,023	7,023	6,450	573
Pension expense	3,225	3,225	3,261	(36)
Insurance	12,937	12,937	12,014	923
Miscellaneous	1,150	1,150	2,047	(897)
Office supplies and expense	1,500	1,500	3,377	(1,877)
Operating supplies and expense	4,800	4,800	4,170	630
Postage and printing	7,000	7,000	7,382	(382)
Professional services	500	500	-	500
Telephone and other communication	2,000	2,000	1,223	777
Travel and training	1,650	1,650	1,660	(10)
Total administration	<u>82,922</u>	<u>82,922</u>	<u>82,256</u>	<u>666</u>
 Depreciation	 <u>187,000</u>	 <u>187,000</u>	 <u>179,964</u>	 <u>7,036</u>
 Total operating expenses	 <u>2,100,861</u>	 <u>2,100,861</u>	 <u>1,309,583</u>	 <u>791,278</u>
 Operating income (loss)	 <u>(536,616)</u>	 <u>(536,616)</u>	 <u>67,863</u>	 <u>604,479</u>
 NON-OPERATING REVENUES (EXPENSES)				
Interest earnings	7,000	7,000	5,515	(1,485)
Amortization expense	<u>(2,961)</u>	<u>(2,961)</u>	<u>(2,961)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>4,039</u>	<u>4,039</u>	<u>2,554</u>	<u>(1,485)</u>
 Changes in net position	 (532,577)	 (532,577)	 70,417	 602,994
 Net position - beginning	 <u>6,266,255</u>	 <u>6,266,255</u>	 <u>6,266,255</u>	 <u>-</u>
 Net position - end	 <u>\$ 5,733,678</u>	 <u>\$ 5,733,678</u>	 <u>\$ 6,336,672</u>	 <u>\$ 602,994</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Stormwater Fund
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year Ended June 30, 2013

	Budgeted Amount		Actual	Variance Favorable (Unfavorable)
	Original	Final		
OPERATING REVENUES				
Stormwater user fees	\$ 258,000	\$ 258,000	\$ 248,116	\$ (9,884)
OPERATING EXPENSES				
Stormwater operations				
Salaries	83,657	83,657	106,499	(22,842)
Payroll taxes	6,399	6,399	7,294	(895)
Fringe benefits	12,527	12,527	11,764	763
Pension expense	7,061	7,061	8,820	(1,759)
Insurance	4,577	4,577	3,237	1,340
Miscellaneous	5,000	5,000	4,148	852
Office supplies and expense	250	250	307	(57)
Operating supplies and expense	23,150	23,150	12,269	10,881
Postage and printing	6,694	6,694	302	6,392
Professional services	55,000	55,000	5,504	49,496
Repairs and maintenance	22,000	22,000	22,572	(572)
Telephone and other communication	700	700	578	122
Travel and training	2,000	2,000	730	1,270
Utilities	1,000	1,000	709	291
Vehicle expense	2,150	2,150	2,061	89
Total stormwater operations	232,165	232,165	186,794	45,371
Depreciation	39,000	39,000	35,547	3,453
Capital outlay	75,000	75,000	-	75,000
Total operating expenses	346,165	346,165	222,341	123,824
Operating income (loss)	(88,165)	(88,165)	25,775	113,940
NON-OPERATING REVENUES (EXPENSES)				
Interest earnings	200	200	258	58
Changes in net position	(87,965)	(87,965)	26,033	113,998
Net position - beginning	611,300	611,300	611,300	-
Net position - end	\$ 523,335	\$ 523,335	\$ 637,333	\$ 113,998

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Schedule of Property Taxes Receivable
June 30, 2013

<u>Year of Levy</u>	
2013	\$ 4,064,912
2012	77,723
2011	28,045
2010	16,653
2009	14,578
2008	1,132
2007	671
2006	645
2005	666
2004	<u>911</u>
Total property taxes receivable	4,205,936
Less: allowance for uncollectible taxes	<u>(69,999)</u>
Property taxes receivable - net	<u>\$ 4,135,937</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Schedule of Changes in Property Taxes Receivable
June 30, 2013

<u>Year of Levy</u>	<u>Taxes Receivable July 1, 2012</u>	<u>Taxes Levied</u>	<u>Pickups</u>	<u>Discounts and Releases</u>	<u>Collections</u>	<u>Taxes Receivable July 1, 2013</u>
2013	\$ -	\$ 4,064,912	\$ -	\$ -	\$ -	\$ 4,064,912
2012	3,625,148	267,022	(1) 26,503	(966)	(3,839,984)	77,723
2011	65,416	-	-	-	(37,371)	28,045
2010	19,676	-	-	-	(3,023)	16,653
2009	15,560	-	-	-	(982)	14,578
2008	1,276	-	-	-	(144)	1,132
2007	750	-	-	-	(79)	671
2006	645	-	-	-	-	645
2005	666	-	-	-	-	666
2004	911	-	-	-	-	911
2003	<u>809</u>	<u>-</u>	<u>-</u>	<u>(809)</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,730,857</u>	<u>\$ 4,331,934</u>	<u>\$ 26,503</u>	<u>\$ (1,775)</u>	<u>\$ (3,881,583)</u>	<u>\$ 4,205,936</u>

(1) 2012 Stormwater fees

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Governmental Funds
Schedule of Debt Service Requirements
June 30, 2013

CAPITAL OUTLAY NOTE - SERIES 2007
(Interest averaging 5.0%)

Maturing June 30,	Principal	Interest	Total Requirements
2014	\$ 307,000	\$ 231,364	\$ 538,364
2015	320,000	216,014	536,014
2016	332,000	200,014	532,014
2017	346,000	183,414	529,414
2018	360,000	166,114	526,114
2019	<u>258,949</u>	<u>148,114</u>	<u>407,063</u>
Total	<u>\$ 1,923,949</u>	<u>\$ 1,145,034</u>	<u>\$ 3,068,983</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Governmental Funds
Schedule of Debt Service Requirements
June 30, 2013

CAPITAL OUTLAY NOTE
LOCAL GOVERNMENT ENERGY EFFICIENCY LOAN

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 5,757	\$ -	\$ 5,757
2015	<u>5,757</u>	<u>-</u>	<u>5,757</u>
Total	<u>\$ 11,514</u>	<u>\$ -</u>	<u>\$ 11,514</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Governmental Funds
Schedule of Debt Service Requirements
June 30, 2013

CAPITAL OUTLAY NOTE - SERIES 2010

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 82,880	\$ 11,441	\$ 94,321
2015	85,200	9,133	94,333
2016	87,580	6,760	94,340
2017	90,000	4,321	94,321
2018	92,520	1,815	94,335
2019	<u>15,660</u>	<u>54</u>	<u>15,714</u>
Total	<u>\$ 453,840</u>	<u>\$ 33,524</u>	<u>\$ 487,364</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Insurance Coverage
June 30, 2013

Coverage	Amount
Buildings and personal property (except Country Club)	\$15,004,882
Commercial package, Country Club	\$1,000,000** per occurrence
Comprehensive general liability	State Tort Limits* and \$1,000,000 non-state torts
Automobile liability	State Tort Limits* and \$1,000,000 non-state torts
Errors or omissions	\$1,000,000 per occurrence
Workers compensation	\$300,000 each accident \$300,000 each employee \$700,000 policy limit

*State Tort Limits: \$300,000 per person
\$700,000 per occurrence
\$300,000 per property

**Coverage is provided by lessee.

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Tax Rates and Assessed Valuation
Applicable to the Last Ten Years
June 30, 2013

<u>Year of Levy</u>	<u>Tax Rate Per \$100</u>	<u>Assessed Valuation</u>			<u>Total</u>
		<u>Property</u>	<u>Personalty</u>	<u>Utilities</u>	
2013	\$ 1.5684	\$ 250,046,071	\$ 2,594,349	\$ 6,535,323	\$ 259,175,743
2012	\$ 1.6634	\$ 211,123,969	\$ 2,182,988	\$ 4,629,073	\$ 217,936,030
2011	\$ 1.6634	\$ 210,382,081	\$ 1,962,334	\$ 4,508,837	\$ 216,853,252
2010	\$ 1.513	\$ 210,504,031	\$ 1,817,713	\$ 5,218,705	\$ 217,540,449
2009	\$ 1.513	\$ 208,030,369	\$ 1,722,362	\$ 5,813,636	\$ 215,566,367
2008	\$ 1.775	\$ 177,056,715	\$ 1,834,834	\$ 5,420,563	\$ 184,312,112
2007	\$ 1.775	\$ 173,960,345	\$ 1,665,321	\$ 5,469,175	\$ 181,094,841
2006	\$ 1.775	\$ 170,955,575	\$ 1,772,676	\$ 5,469,175	\$ 178,197,426
2005	\$ 1.425	\$ 167,759,869	\$ 1,585,113	\$ 6,181,202	\$ 175,526,184
2004	\$ 1.65	\$ 146,270,953	\$ 1,399,396	\$ 5,638,809	\$ 153,309,158

NOTE: On July 1, 2012, the Town of Signal Mountain approved the levy for the year ended June 30, 2013. The tax rate adopted for each \$100 of assessed valuation for the 2012 levy was \$1.6634.

On July 1, 2013, the Town of Signal Mountain approved the levy for the year ended June 30, 2014, for the residents on record as of January 1, 2012. The 2012 levy was recorded as a receivable and deferred revenue for the year ended June 30, 2013.

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Property Taxes Levied and Property Tax Collections - Last Ten Years
Years Ended June 30, 2003 to 2012

Year of Levy	Tax Rate Per \$100	Total Tax Levy	Collections of		Percent of Current Collections to Levy	Collections of		Total Collections During Period	Percent of Total Collections to Current Year Levy	Discounts and Adjustments During Period	Accumulated Delinquent Property Taxes	Percent of Delinquent Property Taxes to Current Year Levy
			Current Levy During Period	Prior Years Levy During Period		Prior Years Levy During Period	Collections During Period					
2012	\$ 1.663	\$ 3,892,170	\$ 3,839,984	\$ 41,599	98.7%	\$ 41,599	\$ 3,881,583	99.7%	\$ 24,728	\$ 141,024	3.6%	
2011	\$ 1.663	\$ 3,868,646	\$ 3,810,546	\$ 68,814	98.5%	\$ 68,814	\$ 3,879,360	100.3%	\$ 8,258	\$ 105,709	2.7%	
2010	\$ 1.513	\$ 3,291,387	\$ 3,217,605	\$ 57,318	97.8%	\$ 57,318	\$ 3,274,923	99.5%	\$ 4,347	\$ 108,165	3.3%	
2009	\$ 1.513	\$ 3,261,519	\$ 3,198,769	\$ 49,776	98.1%	\$ 49,776	\$ 3,248,545	99.6%	\$ 2,260	\$ 87,354	2.7%	
2008	\$ 1.775	\$ 3,271,540	\$ 3,210,245	\$ 36,841	98.1%	\$ 36,841	\$ 3,247,086	99.3%	\$ (837)	\$ 72,120	2.2%	
2007	\$ 1.775	\$ 3,214,431	\$ 3,174,643	\$ 37,656	98.7%	\$ 37,656	\$ 3,212,299	99.9%	\$ (448)	\$ 45,609	1.4%	
2006	\$ 1.775	\$ 3,163,006	\$ 3,129,907	\$ 30,324	99.0%	\$ 30,324	\$ 3,160,231	99.9%	\$ (276)	\$ 44,068	1.4%	
2005	\$ 1.425	\$ 2,487,358	\$ 2,449,916	\$ 21,709	98.4%	\$ 21,709	\$ 2,471,625	99.4%	\$ 1,490	\$ 41,571	1.7%	
2004	\$ 1.65	\$ 2,481,773	\$ 2,460,207	\$ 35,121	99.1%	\$ 35,121	\$ 2,495,328	100.5%	\$ (154)	\$ 24,348	1.0%	
2003	\$ 1.65	\$ 2,467,552	\$ 2,431,031	\$ 37,703	98.5%	\$ 37,703	\$ 2,468,734	100.0%	\$ (598)	\$ 38,057	1.5%	

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Unaccounted for Water
June 30, 2013

AWWA WLCC Free Water Audit Software: Reporting Worksheet

Water Audit Report for: **Town of Signal Mountain**

Reporting Year: **2013** **7/2012 - 6/2013**

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

WATER SUPPLIED

<< Enter grading in column 'E'

Volume from own sources:	n/a	0.000	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	n/a		MG/Yr
Water imported:	9	283.269	MG/Yr
Water exported:	n/a	0.000	MG/Yr
WATER SUPPLIED:		283.269	MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	7	231.800	MG/Yr		
Billed unmetered:	n/a	0.000	MG/Yr		
Unbilled metered:	3	3.973	MG/Yr	Pcnt:	Value:
Unbilled unmetered:	10	1.524	MG/Yr	1.25%	1.524

AUTHORIZED CONSUMPTION: **237.297** MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) **45.972** MG/Yr

Apparent Losses

Unauthorized consumption:	10	0.708	MG/Yr	Pcnt:	Value:
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed				0.25%	
Customer metering inaccuracies:	7	12.409	MG/Yr	5.00%	
Systematic data handling errors:	10	0.001	MG/Yr		
Apparent Losses:		13.118			

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **32.854** MG/Yr

WATER LOSSES: **45.972** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **51.469** MG/Yr

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	10	62.0	miles
Number of active AND inactive service connections:	7	3,303	
Connection density:		53	conn./mile main
Average length of customer service line:	10	0.0	ft
Average operating pressure:	6	150.0	psi

COST DATA

Total annual cost of operating water system:	10	\$1,309,039	\$/Year
Customer retail unit cost (applied to Apparent Losses):	8	\$5.95	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	10	\$1,851.86	\$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	18.2%
Non-revenue water as percent by cost of operating system:	11.4%
Annual cost of Apparent Losses:	\$78,054
Annual cost of Real Losses:	\$60,840

Operational Efficiency Indicators

Apparent Losses per service connection per day:	10.88 gallons/connection/day
Real Losses per service connection per day*:	27.25 gallons/connection/day
Real Losses per length of main per day*:	N/A
Real Losses per service connection per day per psi pressure:	0.18 gallons/connection/day/psi
Unavoidable Annual Real Losses (UARL):	45.49 million gallons/year
From Above, Real Losses = Current Annual Real Losses (CARL):	32.85 million gallons/year
Infrastructure Leakage Index (ILI) [CARL/UARL]:	0.72

* only the most applicable of these two indicators will be calculated

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 80 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Unbilled metered

2: Billed metered

3: Water Imported

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Miscellaneous Supplementary Information
June 30, 2013

Date of incorporation and charter adoption
Form of government, effective May 21, 1990

April 4, 1919
Town Manager-Mayor and
Council Members

Area, square miles, approximate 8.4
Miles of Town maintained streets 65.27

POPULATION

2013 State Official	8,363
2011 U.S. Census	7,554
2002 Census done by Town	7,727
2000 State official	7,429
1999 Census done by Town	7,567
1996 Census done by Town	7,446
1992 Census done by Town	7,408
1990 Census	7,034
1989 State official	7,200
1987 Estimation	6,200
1984 Treasury Department	6,077
1980 Census	5,818

BUILDING PERMITS

Number of permits issued during year ended June 30, 2013	376
Value of permits issued during year ended June 30, 2013	\$34,065,585

FIRE PROTECTION

Number of stations	1
Number of employees	25
Number of trucks	4

POLICE PROTECTION

Number of employees	16
Vehicular patrol units	17
Signalized street intersections	1

RECREATION

Number of playgrounds	5
Number of parks	37
Number of swimming pools	1

WATER FACILITIES

Number of customers during year ended June 30, 2013	3,298
Storage capacity, gallons	2,000,000

Current water rates are as follows:

Inside Town Limits

First 12,000 gallons per quarter	\$ 60.59
Over 12,000 gallons per quarter, each 1,000 gallons	\$ 5.78

Outside Town Limits

First 12,000 gallons per quarter	\$ 78.09
Over 12,000 gallons per quarter, each 1,000 gallons	\$ 7.19

III. INTERNAL CONTROL AND COMPLIANCE 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 Town Council
Town of Signal Mountain, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Signal Mountain, Tennessee as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Signal Mountain, Tennessee's basic financial statements and have issued our report thereon dated November 13, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Signal Mountain, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Signal Mountain, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Signal Mountain, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 13-1, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Signal Mountain, 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*.

Town of Signal Mountain, Tennessee's Response to Findings

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

Purpose of this Report

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

Chattanooga, Tennessee
November 13, 2013

Johnson, Murphey & Wright, P.C.

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Findings and Responses
June 30, 2013

SUMMARY OF AUDIT RESULTS

Opinion:

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

Internal Control Deficiencies:

During the audit of the financial statements, one significant deficiency in internal controls was disclosed.

Material Noncompliance:

No instances of noncompliance or other matters were disclosed.

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

INTERNAL CONTROL:

Finding 13-1 - Approvals and documentation (repeat 12-1)

Criteria:

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

Condition:

- 1) Not all supporting documentation for charge account statements could be located.
- 2) Odometer readings are not being entered correctly at the fueling station.

Cause:

- 1) A document retention process was not followed so that supporting documentation for every charge account statement was kept.
- 2) Discrepancies between the fuel station and fuel log amounts were not reviewed.

Effect:

Without following proper procedures for charge account statements and examining fuel discrepancies, improper payments could be expensed to the Town.

Management's Response:

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Prior Audit Findings
June 30, 2013

INTERNAL CONTROL:

Finding 12-1 - Approvals and documentation
Still in effect.