



**ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014**

I. INTRODUCTORY SECTION

TOWN OF SIGNAL MOUNTAIN, TENNESSEE

Table of Contents

June 30, 2014

	Page
I. INTRODUCTORY SECTION	
Table of Contents	i-ii
Roster of Board Members and Management	iii
II. FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management Discussion and Analysis	4-15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Governmental Funds	
Balance Sheet	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	22-34
Proprietary Funds	
Statement of Net Position	35
Statement of Revenues, Expenses and Changes in Net Position	36
Statement of Cash Flows	37
Notes to Financial Statements	38-58
Required Supplemental Information Other Than Management's Discussion and Analysis	
Tennessee Consolidated Retirement System Schedule of Funding Progress	59
Other Supplementary Information	
Non-Major Governmental Fund	60
Combining Balance Sheet	61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	62
Drug Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	63
State Street Aid Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	64

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Table of Contents (Continued)
June 30, 2014

II. FINANCIAL SECTION (Continued)

Other Supplementary Information (Continued)

Financial Schedules

Schedule of Expenditures of Federal and State Awards	65
Notes to the Schedule of Federal and State Awards	66
Schedule of Revenues, Expenditures and Changes in Fund Balances	
Budget and Actual - General Fund	67
Schedule of Revenues, Expenditures and Changes in Fund Balances	
Budget and Actual - Capital Projects Fund	68
Solid Waste Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual	69-70
Schedule of Revenues, Expenses and Change in Net Position -	
Budget and Actual - Water Fund	71-72
Schedule of Revenues, Expenses and Change in Net Position -	
Budget and Actual - Stormwater Fund	73
Schedule of Property Taxes Receivable - General Fund	74
Schedule of Changes in Property Taxes Receivable - General Fund	75
Schedule of Debt Service Requirements - Governmental Funds	76-78
Insurance Coverage	79
Tax Rates and Assessed Valuation Applicable to Last Ten Years	80
Schedule of Property Taxes Levied and Property Tax Collections -	
Last Ten Years	81
Schedule of Unaccounted for Water	82-83
Miscellaneous Supplementary Information	84

III. INTERNAL CONTROL AND COMPLIANCE SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and	
on Compliance and Other Matters Based on an Audit of Financial Statements	
Performed in Accordance with <i>Government Auditing Standards</i>	85-86
Schedule of Findings and Responses	87
Schedule of Prior Audit Findings	88

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Roster of Board Members and Management
June 30, 2014

Mayor Bill Lusk

Vice Mayor..... Susan Robertson

CouncilmemberAnnette Allen

Councilmember Dick Gee

Councilmember Bill Wallace

Town JudgeMark Rothberger

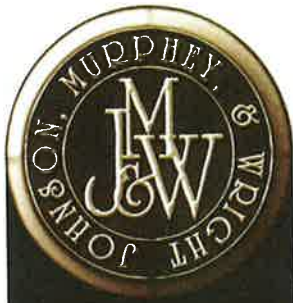
Town Manager Boyd Veal
(January 14, 2014 to June 30, 2014)

Christopher J. Dorsey
(July 1, 2013 to January 13, 2014)

Town AttorneyPhil Noblett

Town Recorder/Finance Director (CMFO)..... 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, 2014, 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, 2014, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 12, 2014, 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 12, 2014

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, 2014. 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, 2014, by \$19,110,476 (net position). Of this amount \$9,917,504 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors. The Town has restricted \$56,428 for the new high school, \$10,181 for drug enforcement programs, \$76,997 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 \$1,244,423 for the purchase of mobile assets and an assigned fund balance of \$440,077 for fire hall construction expenditures.

The Town's governmental activities operated at a surplus of \$1,435,537. The Town's business-type activities operated at a surplus of \$124,145.

As of the close of the current fiscal year, the Town of Signal Mountain, Tennessee's governmental funds reported combined ending fund balances of \$7,578,231.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,718,227, or 102.95%, 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 \$7,098,150. Of that balance \$3,802,198, or 53.57%, is unrestricted. The remaining 46.43%, or \$3,295,952, 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 61.

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 63 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 35 through 37 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 38 through 58 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 61 through 64 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 \$19,110,476 at the close of this fiscal year.

47.20 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 0.90%, or \$171,606, of the Town of Signal Mountain, Tennessee's net position represents resources that are subject to external restrictions on how they may be used. 51.90%, or \$9,917,504, in net position are unrestricted and can be used to meet the government's ongoing obligations.

At June 30, 2014, 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	
	2014	2013	2014	2013	2014	2013
Capital assets	\$ 6,102,131	\$ 6,368,725	\$ 3,295,952	\$ 3,525,383	\$ 9,398,083	\$ 9,894,108
Other assets	<u>12,385,413</u>	<u>11,113,630</u>	<u>4,175,596</u>	<u>3,795,833</u>	<u>16,561,009</u>	<u>14,909,463</u>
Total assets	<u>\$ 18,487,544</u>	<u>\$ 17,482,355</u>	<u>\$ 7,471,548</u>	<u>\$ 7,321,216</u>	<u>\$ 25,959,092</u>	<u>\$ 24,803,571</u>
Long-term liabilities	\$ 1,353,724	\$ 2,140,969	\$ 205,126	\$ 192,605	\$ 1,558,850	\$ 2,333,574
Other liabilities	<u>935,616</u>	<u>699,685</u>	<u>168,272</u>	<u>154,606</u>	<u>1,103,888</u>	<u>854,291</u>
Total liabilities	<u>\$ 2,289,340</u>	<u>\$ 2,840,654</u>	<u>\$ 373,398</u>	<u>\$ 347,211</u>	<u>\$ 2,662,738</u>	<u>\$ 3,187,865</u>
Deferred inflows of resources	<u>\$ 4,185,878</u>	<u>\$ 4,064,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,185,878</u>	<u>\$ 4,064,912</u>
Net investment in capital assets	\$ 5,725,414	\$ 5,903,371	\$ 3,295,952	\$ 3,525,383	\$ 9,021,366	\$ 9,428,754
Restricted	<u>171,606</u>	<u>226,914</u>	<u>-</u>	<u>-</u>	<u>171,606</u>	<u>226,914</u>
Unrestricted	<u>6,115,306</u>	<u>4,446,504</u>	<u>3,802,198</u>	<u>3,448,622</u>	<u>9,917,504</u>	<u>7,895,126</u>
Total net position	<u>\$ 12,012,326</u>	<u>\$ 10,576,789</u>	<u>\$ 7,098,150</u>	<u>\$ 6,974,005</u>	<u>\$ 19,110,476</u>	<u>\$ 17,550,794</u>

Changes in Net Position

Governmental activities increased the Town of Signal Mountain, Tennessee's net position by \$1,435,537.

Business-type activities increased the Town of Signal Mountain, Tennessee's net position by \$124,145.

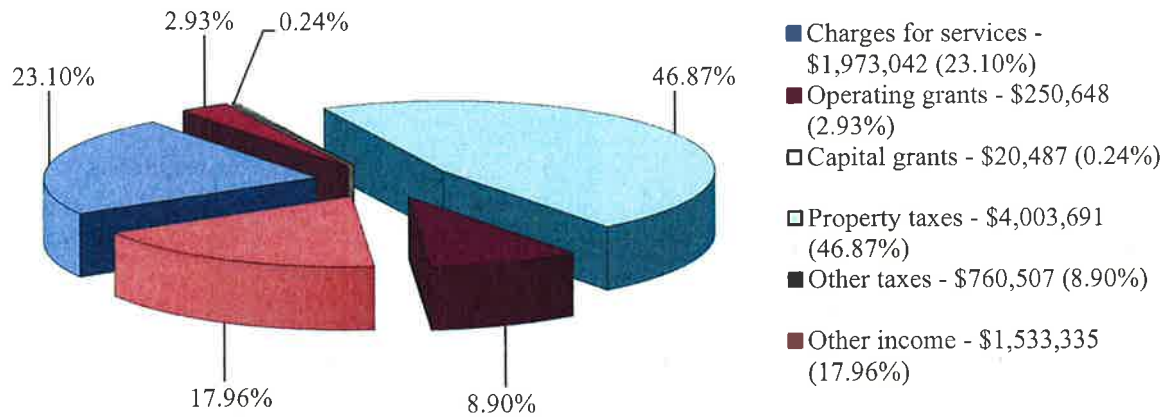
The table below provides a summary of the Town's net position broken down by governmental and business-type activities.

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

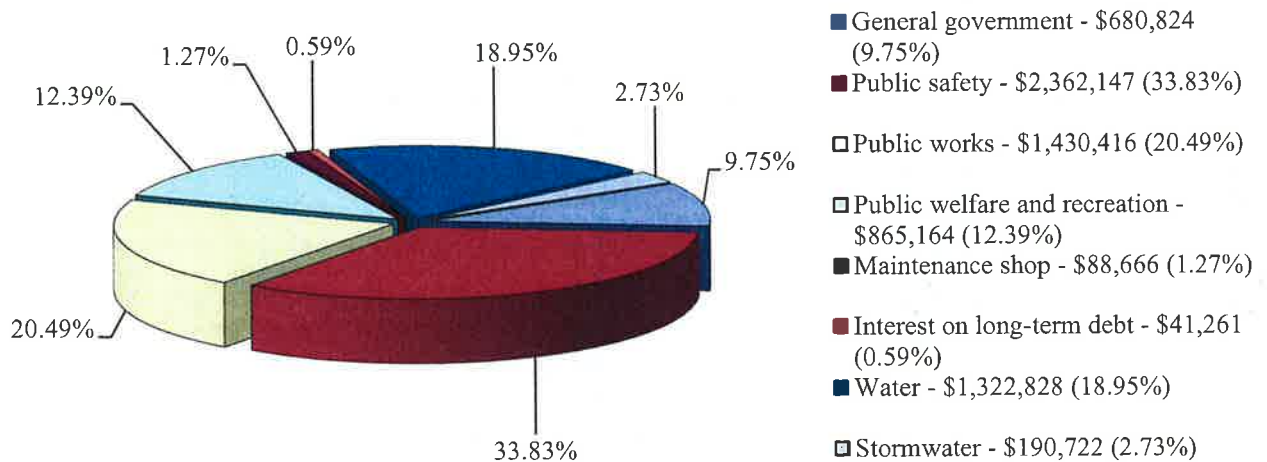
	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 342,524	\$ 396,534	\$ 1,630,518	\$ 1,625,562	\$ 1,973,042	\$ 2,022,096
Operating grants and contributions	250,648	405,973	-	-	250,648	405,973
Capital grant and contributions	20,487	-	-	-	20,487	-
General revenues:						
Property taxes	4,003,691	3,555,471	-	-	4,003,691	3,555,471
Other taxes	760,507	742,028	-	-	760,507	742,028
Other income	1,526,158	1,493,774	7,177	5,773	1,533,335	1,499,547
Total revenues	<u>6,904,015</u>	<u>6,593,780</u>	<u>1,637,695</u>	<u>1,631,335</u>	<u>8,541,710</u>	<u>8,225,115</u>
Expenses:						
General government	680,824	601,281	-	-	680,824	601,281
Public safety	2,362,147	2,457,093	-	-	2,362,147	2,457,093
Public works	1,430,416	1,438,803	-	-	1,430,416	1,438,803
Public welfare and recreation	865,164	820,202	-	-	865,164	820,202
Maintenance shop	88,666	79,443	-	-	88,666	79,443
Interest on long-term debt	41,261	49,248	-	-	41,261	49,248
Water	-	-	1,322,828	1,312,544	1,322,828	1,312,544
Stormwater	-	-	190,722	222,341	190,722	222,341
Total expenses	<u>5,468,478</u>	<u>5,446,070</u>	<u>1,513,550</u>	<u>1,534,885</u>	<u>6,982,028</u>	<u>6,980,955</u>
Increase in net position	1,435,537	1,147,710	124,145	96,450	1,559,682	1,244,160
Net position - beginning	<u>10,576,789</u>	<u>9,429,079</u>	<u>6,974,005</u>	<u>6,877,555</u>	<u>17,550,794</u>	<u>16,306,634</u>
Net position - end	<u>\$ 12,012,326</u>	<u>\$ 10,576,789</u>	<u>\$ 7,098,150</u>	<u>\$ 6,974,005</u>	<u>\$ 19,110,476</u>	<u>\$ 17,550,794</u>

The graphs below summarize the \$8,541,710 of town-wide revenue by source and the associated \$6,982,028 of expense by program. The graphs combine data from both governmental and business-type activities.

Town-Wide Sources of Revenue



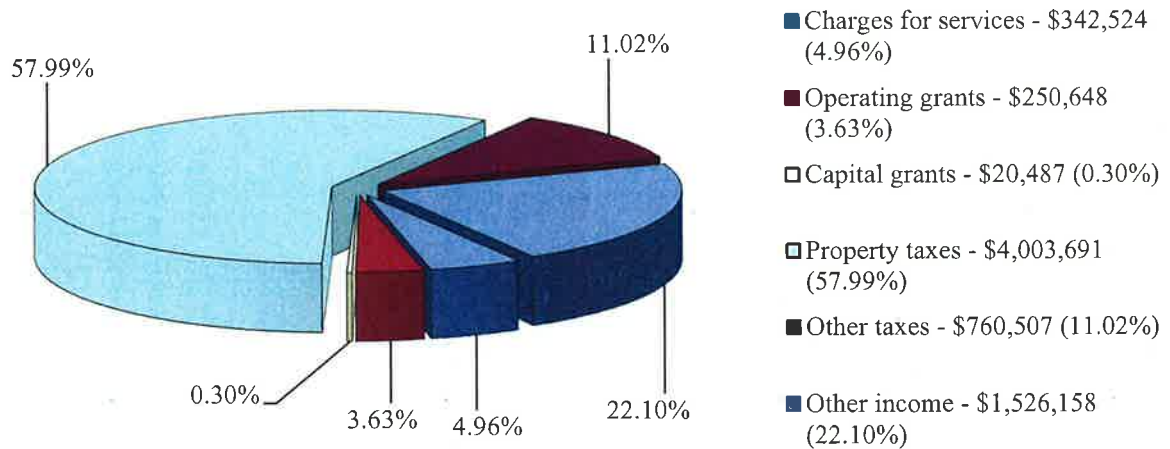
Town-Wide Program Expenses



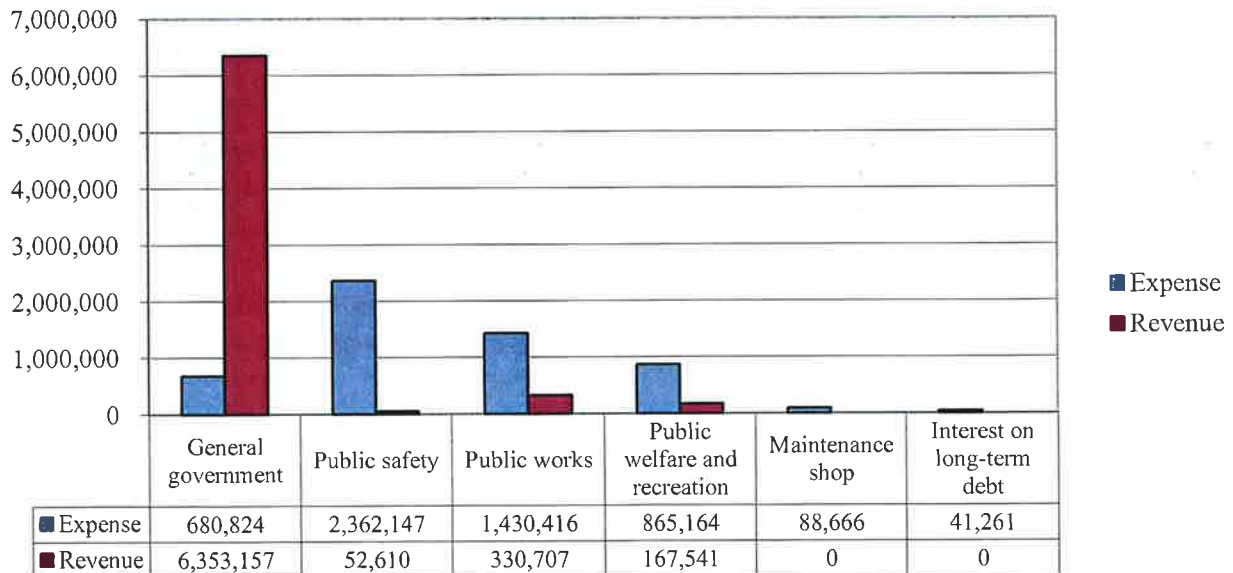
Governmental Activities

Governmental activities accounted for revenues of \$6,904,015. The following graph summarizes revenue by source.

**Revenue by Source -
Governmental Activities**

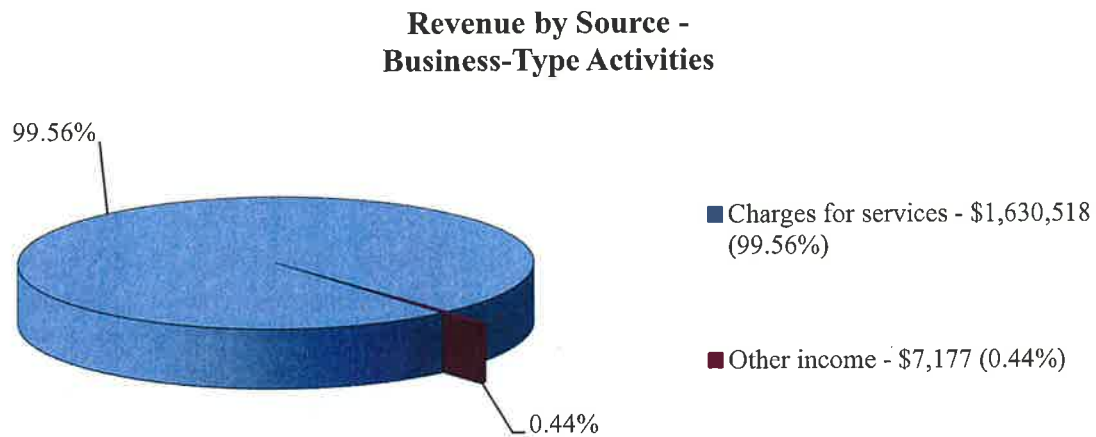


**Expenses and Program Revenues -
Governmental Activities**

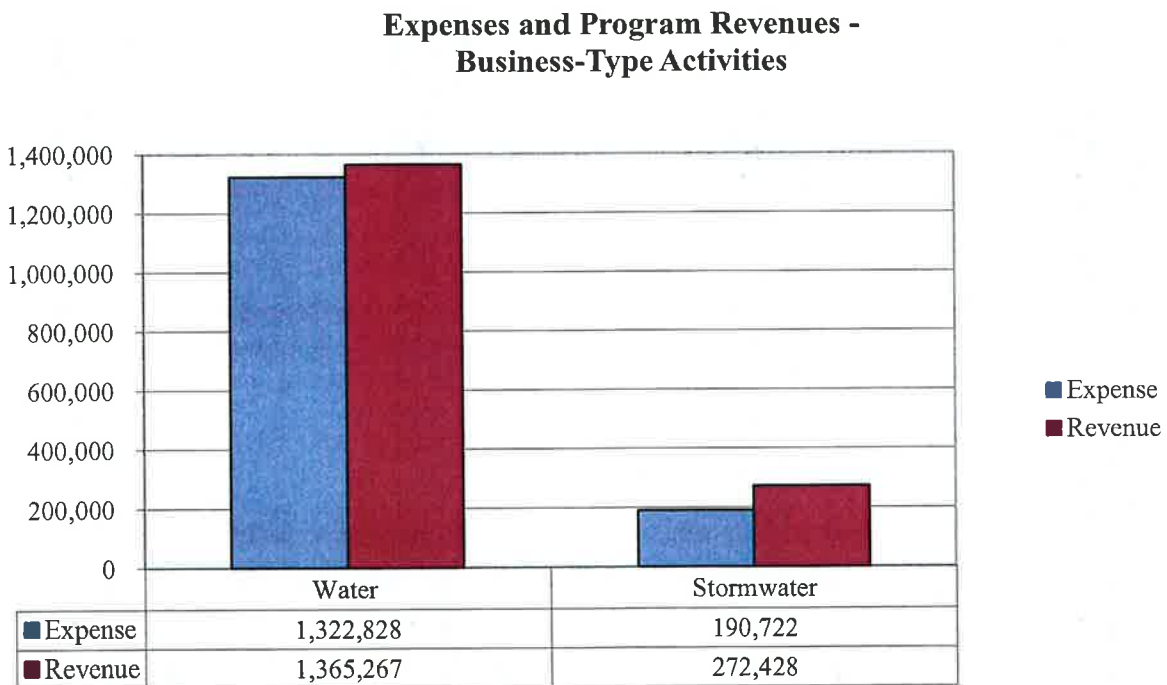


Business-type Activities

Business-type activities accounted for revenues of \$1,637,695. 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 \$7,578,231. Approximately 75.46% of this total amount, or \$5,718,227, constitutes unassigned fund balance. Assigned funds of \$440,077 are to be used for fire hall construction. Committed funds consist of \$1,244,423 for the purchase of mobile assets. Restricted funds consist of \$56,428 for debt service payments on the new middle/high school, \$76,997 for the use of street expenditures and \$10,181 for use in investigations of drug-related violations, drug prevention programs and \$28,000 for Mountain Arts expenditures. Nonspendable funds consist of \$3,898 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 \$5,718,227. 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 102.95% 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 \$3,191,139 for the Water Fund and \$611,059 for the Stormwater Fund.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were approximately \$(532,797), and are listed below:

General Fund budgeted revenues decreased \$538,500.

General Fund budgeted expenditures decreased \$4,453.

General Fund budgeted transfers out decreased \$1,250.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

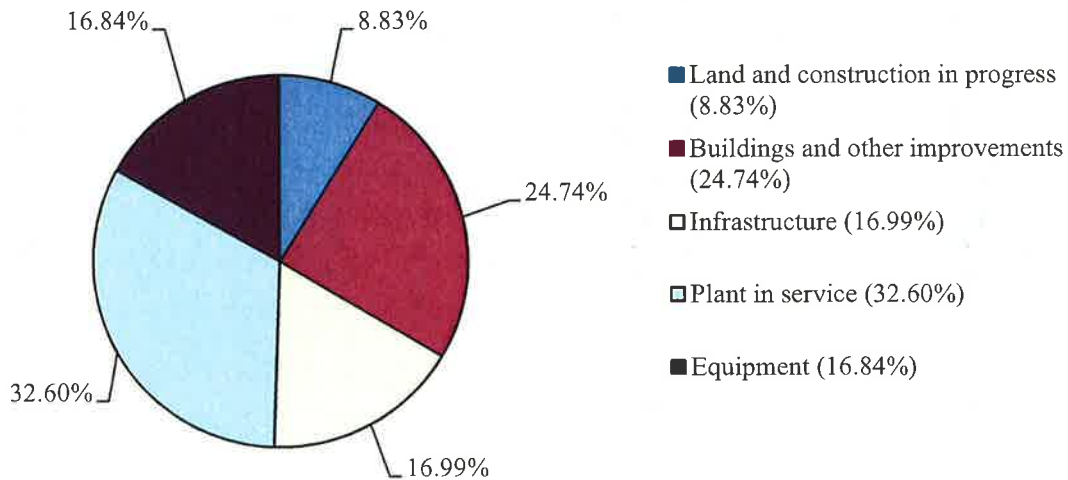
The table below summarizes the Town's investment in capital assets and is broken down by governmental and business-type activities.

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

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land and construction in progress	\$ 813,839	\$ 813,839	\$ 15,794	\$ 10,595	\$ 829,633	\$ 824,434
Buildings and other improvements	2,325,188	2,455,965	-	-	2,325,188	2,455,965
Infrastructure	1,596,498	1,650,625	-	-	1,596,498	1,650,625
Plant in service	-	-	3,063,812	3,192,145	3,063,812	3,192,145
Equipment	1,366,606	1,448,296	216,346	322,643	1,582,952	1,770,939
Total capital assets	<u>\$ 6,102,131</u>	<u>\$ 6,368,725</u>	<u>\$ 3,295,952</u>	<u>\$ 3,525,383</u>	<u>\$ 9,398,083</u>	<u>\$ 9,894,108</u>

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



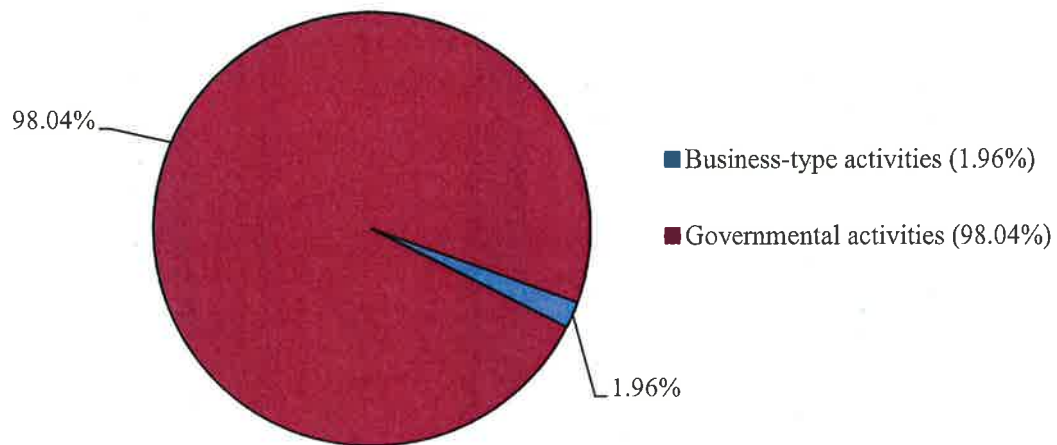
Additional information on the Town of Signal Mountain, Tennessee's capital assets can be found in Note 7 on page 48 and 49 of this report.

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 \$1,800,030; of that amount \$410,957 is due in the next fiscal year.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Capital outlay notes	\$1,608,665	\$ 2,389,303	\$ -	\$ -	\$ 1,608,665	\$2,389,303
Compensated absences	156,016	147,303	35,349	31,020	191,365	178,323
Current portion	(410,957)	(395,637)	-	-	(410,957)	(395,637)
 Total long-term debt	 <u>\$1,353,724</u>	 <u>\$ 2,140,969</u>	 <u>\$ 35,349</u>	 <u>\$ 31,020</u>	 <u>\$ 1,389,073</u>	 <u>\$2,171,989</u>

Long-Term Debt By Activity



Additional information on outstanding debt can be found in Note 9 on pages 50 and 51.

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, 2014, \$1,231,948 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 76 of this report and is a part of the total governmental debt summary on page 50. Actual interest payments may vary from those scheduled based on future market conditions.

As of June 30, 2014, \$56,427.78 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 2014, the restricted tax collection was \$.30 per \$100 of assessed property value.

The Town is building a new Public Works facility that includes administrative offices, three mechanics bays, equipment and vehicle storage, weigh scales, and a wash bay. The construction of this facility is scheduled for the summer of 2015. The Town estimates that construction costs will be \$1.5 million. This project will be funded through a loan from the City of Clarksville's Public Building Authority.

In addition, the Town expects to begin construction of a new fire station in the summer of 2015. The construction costs are estimated to be \$1.0 million. The Town has budgeted \$435,271 from an assigned fund balance with the remainder to be funded through a loan from the City of Clarksville's Public Building Authority.

Requests for Information

The 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, 1111 Ridgeway Avenue, Signal Mountain, Tennessee 37377.

BASIC FINANCIAL STATEMENTS

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Statement of Net Position
June 30, 2014

	Primary Government			Component Unit
	Governmental	Business-type		Public Library
	Activities	Activities	Total	Board
ASSETS				
Current assets				
Cash	\$ 2,208,005	\$ 1,467,253	\$ 3,675,258	\$ 30,740
Investments	5,179,350	1,956,222	7,135,572	-
Property taxes - net	4,290,566	-	4,290,566	-
Accounts receivable - net	28,831	389,909	418,740	-
Interest receivable	278	465	743	-
Due from other governments	867,136	-	867,136	-
Internal balances	(249,079)	249,079	-	-
Inventories	3,898	95,891	99,789	-
Total current assets	<u>12,328,985</u>	<u>4,158,819</u>	<u>16,487,804</u>	<u>30,740</u>
Non-current assets				
Investments - restricted	56,428	-	56,428	-
Customer lists - Walden's Ridge - net	-	16,777	16,777	-
Capital assets				
Land and construction in progress	813,839	15,794	829,633	-
Other capital assets - net of depreciation	5,288,292	3,280,158	8,568,450	-
Total non-current assets	<u>6,158,559</u>	<u>3,312,729</u>	<u>9,471,288</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 18,487,544</u>	<u>\$ 7,471,548</u>	<u>\$ 25,959,092</u>	<u>\$ 30,740</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 384,203	\$ 153,737	\$ 537,940	\$ -
Accrued liabilities	140,456	14,535	154,991	-
Notes payable - current	410,957	-	410,957	-
Total current liabilities	<u>935,616</u>	<u>168,272</u>	<u>1,103,888</u>	<u>-</u>
Non-current liabilities				
Customer deposits	-	169,777	169,777	-
Notes payable - long-term	1,197,708	-	1,197,708	-
Compensated absences payable	156,016	35,349	191,365	-
Total long-term liabilities	<u>1,353,724</u>	<u>205,126</u>	<u>1,558,850</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 2,289,340</u>	<u>\$ 373,398</u>	<u>\$ 2,662,738</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	<u>\$ 4,185,878</u>	<u>\$ -</u>	<u>\$ 4,185,878</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 5,725,414	\$ 3,295,952	\$ 9,021,366	\$ -
Restricted for Mountain Arts	28,000	-	28,000	-
Restricted for debt service	56,428	-	56,428	-
Restricted for drug enforcement program	10,181	-	10,181	-
Restricted for state street aid	76,997	-	76,997	-
Unrestricted	6,115,306	3,802,198	9,917,504	30,740
TOTAL NET POSITION	<u>\$ 12,012,326</u>	<u>\$ 7,098,150</u>	<u>\$ 19,110,476</u>	<u>\$ 30,740</u>

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Statement of Activities
Year Ended June 30, 2014

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business- Type Activities	Total	
Primary Government								
Governmental activities:								
General government								
Judicial	\$ 44,705	\$ -	\$ -	\$ -	\$ (44,705)	\$ -	\$ (44,705)	\$ -
Financial administration	584,614	-	-	-	(584,614)	-	(584,614)	-
Building inspection	51,505	62,801	-	-	11,296	-	11,296	-
Public safety								
Police department	1,117,087	52,610	-	-	(1,064,477)	-	(1,064,477)	-
Fire department	1,245,060	-	-	-	(1,245,060)	-	(1,245,060)	-
Highway and streets								
Public works administration	148,009	-	-	-	(148,009)	-	(148,009)	-
Highway and street maintenance	711,127	-	249,895	18,904	(442,328)	-	(442,328)	-
Sanitation								
Solid waste department	505,026	44,675	-	-	(460,351)	-	(460,351)	-
Recycle center	66,254	17,233	-	-	(49,021)	-	(49,021)	-
Public welfare and recreation								
Recreation	471,896	86,556	-	1,583	(383,757)	-	(383,757)	-
Mountain Arts Community Center	234,384	65,841	748	-	(167,795)	-	(167,795)	-
Library	158,884	12,808	5	-	(146,071)	-	(146,071)	-
Maintenance shop	88,666	-	-	-	(88,666)	-	(88,666)	-
Interest on long-term debt	41,261	-	-	-	(41,261)	-	(41,261)	-
Total governmental activities	5,468,478	342,524	250,648	20,487	(4,854,819)	-	(4,854,819)	-
Business-type activities:								
Water	1,322,828	1,358,298	-	-	-	35,470	35,470	-
Stormwater	190,722	272,220	-	-	-	81,498	81,498	-
Total business-type activities	1,513,550	1,630,518	-	-	-	116,968	116,968	-
Total primary government	\$ 6,982,028	\$ 1,973,042	\$ 250,648	\$ 20,487	(4,854,819)	116,968	(4,737,851)	-
Component Unit								
Library Board	\$ 2,425	\$ 14,451	\$ -	\$ -	-	-	-	12,026
General Revenues:								
Taxes								
Property taxes, interest and penalty					4,003,691	-	4,003,691	-
Public utilities taxes					111,247	-	111,247	-
Sales taxes					382,025	-	382,025	-
Franchise tax					155,476	-	155,476	-
Business taxes					44,755	-	44,755	-
Alcoholic beverages taxes					67,004	-	67,004	-
Grants and contributions not restricted to specific programs					1,378,465	-	1,378,465	-
Investment income					11,646	7,177	18,823	-
Rent on land					57,255	-	57,255	-
Miscellaneous					78,792	-	78,792	-
Total general revenues					6,290,356	7,177	6,297,533	-
Change in net position					1,435,537	124,145	1,559,682	12,026
Net position - beginning					10,576,789	6,974,005	17,550,794	18,714
Net position - end					\$ 12,012,326	\$ 7,098,150	\$ 19,110,476	\$ 30,740

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Governmental Funds
Balance Sheet
June 30, 2014

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 1,289,186	\$ 674,535	\$ 244,284	\$ 2,208,005
Investments	4,845,549	290,319	43,482	5,179,350
Investments - restricted	56,428	-	-	56,428
Property taxes - net	4,290,566	-	-	4,290,566
Accounts receivable - net	28,831	-	-	28,831
Gasoline inventory	3,898	-	-	3,898
Due from other funds	18,135	279,291	16,007	313,433
Due from other governments	827,921	-	39,215	867,136
Interest receivable	<u>-</u>	<u>278</u>	<u>-</u>	<u>278</u>
TOTAL ASSETS	<u>\$11,360,514</u>	<u>\$1,244,423</u>	<u>\$ 342,988</u>	<u>\$ 12,947,925</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 128,393	\$ -	\$ 255,810	\$ 384,203
Accrued liabilities	140,456	-	-	140,456
Due to other funds	<u>562,512</u>	<u>-</u>	<u>-</u>	<u>562,512</u>
Total liabilities	<u>831,361</u>	<u>-</u>	<u>255,810</u>	<u>1,087,171</u>
Deferred Inflows of Resources				
Deferred revenue - property taxes	<u>4,282,523</u>	<u>-</u>	<u>-</u>	<u>4,282,523</u>
Fund Balances				
Nonspendable	3,898	-	-	3,898
Restricted	84,428	-	87,178	171,606
Committed	-	1,244,423	-	1,244,423
Assigned	440,077	-	-	440,077
Unassigned	<u>5,718,227</u>	<u>-</u>	<u>-</u>	<u>5,718,227</u>
Total fund balances	<u>6,246,630</u>	<u>1,244,423</u>	<u>87,178</u>	<u>7,578,231</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$11,360,514</u>	<u>\$1,244,423</u>	<u>\$ 342,988</u>	<u>\$ 12,947,925</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, 2014

Total fund balances per governmental funds balance sheet	\$ 7,578,231
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,102,131
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.	(1,764,681)
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>96,645</u>
Net position of governmental activities	<u>\$ 12,012,326</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, 2014

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 4,575,960	\$ -	\$ -	\$ 4,575,960
Licenses and permits	62,751	-	-	62,751
Intergovernmental	1,398,491	-	235,272	1,633,763
Charges for services	275,986	-	-	275,986
Fines and forfeitures	42,642	-	560	43,202
Other revenues	<u>234,611</u>	<u>44,914</u>	<u>65</u>	<u>279,590</u>
TOTAL REVENUES	<u>6,590,441</u>	<u>44,914</u>	<u>235,897</u>	<u>6,871,252</u>
EXPENDITURES				
Current Expenditures				
General government	608,675	-	-	608,675
Public safety	2,172,157	-	3,999	2,176,156
Public works	1,001,206	2,607	298,128	1,301,941
Public welfare and recreation	746,689	-	-	746,689
Maintenance shop	83,477	-	-	83,477
Capital Outlay	120,240	96,661	18,070	234,971
Debt Service	<u>821,899</u>	<u>-</u>	<u>-</u>	<u>821,899</u>
TOTAL EXPENDITURES	<u>5,554,343</u>	<u>99,268</u>	<u>320,197</u>	<u>5,973,808</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,036,098</u>	<u>(54,354)</u>	<u>(84,300)</u>	<u>897,444</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	270,360	-	270,360
Transfers out	<u>(270,360)</u>	<u>-</u>	<u>-</u>	<u>(270,360)</u>
Total other financing sources (uses)	<u>(270,360)</u>	<u>270,360</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	765,738	216,006	(84,300)	897,444
Fund balances - beginning	<u>5,480,892</u>	<u>1,028,417</u>	<u>171,478</u>	<u>6,680,787</u>
Fund balances - end	<u>\$ 6,246,630</u>	<u>\$1,244,423</u>	<u>\$ 87,178</u>	<u>\$ 7,578,231</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, 2014

Net change in fund balances for total governmental funds	\$ 897,444
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.	(266,594)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	32,762
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.	780,638
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>(8,713)</u>
Change in net position of governmental activities	<u>\$ 1,435,537</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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
REVENUES				
Taxes				
Property taxes	\$ 3,825,000	\$ 3,825,000	\$ 3,957,366	\$ 132,366
Interest and penalties	7,000	7,000	13,563	6,563
Public utilities	631,050	75,050	111,247	36,197
Local option sales taxes	360,000	360,000	382,025	22,025
Wholesale beer tax	60,000	60,000	67,004	7,004
Minimum business taxes	4,800	4,800	6,186	1,386
Gross receipts tax	25,000	25,000	38,569	13,569
Total taxes	4,912,850	4,356,850	4,575,960	219,110
License and permits				
Beer and liquor license	1,600	1,600	2,520	920
Building permits	36,300	36,300	59,871	23,571
Other permits	275	275	360	85
Total license and permits	38,175	38,175	62,751	24,576
Intergovernmental				
Grants	-	-	1,583	1,583
TVA replacement	87,000	87,000	92,525	5,525
Fire and police supplemental	18,000	18,000	18,129	129
State sales tax	562,500	562,500	598,358	35,858
State income tax and excise tax	384,500	384,500	653,682	269,182
State beer tax	3,700	3,700	3,957	257
Mixed drink tax	7,500	7,500	13,143	5,643
Streets and transportation	15,500	15,500	17,114	1,614
Total intergovernmental	1,078,700	1,078,700	1,398,491	319,791
Charges for services				
Sanitation charges for service	43,750	43,750	43,365	(385)
Police special services	7,000	7,000	9,408	2,408
Library charges	15,400	15,400	12,813	(2,587)
Recreation activities	101,800	101,800	86,556	(15,244)
Mountain Arts Community Center	58,000	75,500	66,589	(8,911)
Rent	57,255	57,255	57,255	-
Total charges for services	283,205	300,705	275,986	(24,719)

(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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
REVENUES (Continued)				
Fines and forfeitures				
City court revenues	\$ 55,000	\$ 55,000	\$ 42,642	\$ (12,358)
Other revenue				
Interest earnings	12,095	12,095	10,362	(1,733)
Insurance recovery	-	-	15,864	15,864
CATV franchise	190,000	190,000	155,476	(34,524)
Sale of materials and supplies	20,500	20,500	17,233	(3,267)
Miscellaneous	15,447	15,447	30,651	15,204
Contributions and donations	1,000	1,000	5,025	4,025
Total other revenue	239,042	239,042	234,611	(4,431)
TOTAL REVENUES	6,606,972	6,068,472	6,590,441	521,969
EXPENDITURES				
Current Expenditures				
General Government				
Judicial				
Salaries	33,185	33,185	33,551	(366)
Payroll taxes	2,539	2,539	2,525	14
Fringe benefits	2,120	2,120	2,003	117
Pension expense	1,535	1,535	1,555	(20)
Insurance	570	970	447	523
Miscellaneous	325	529	504	25
Office supplies	400	400	226	174
Operating supplies	3,020	3,273	3,273	-
Postage and printing	125	125	71	54
Professional services	800	5,800	400	5,400
Repairs and maintenance	55	175	150	25
Telephone and other communications	250	300	268	32
Travel and training	100	100	30	70
Total judicial	45,024	51,051	45,003	6,048

(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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
General Government (Continued)				
Financial administration				
Salaries	\$ 210,572	\$ 233,602	\$ 233,002	\$ 600
Payroll taxes	16,109	19,013	16,341	2,672
Fringe benefits	83,866	93,481	82,413	11,068
Pension expense	16,126	16,428	16,097	331
Insurance	3,814	3,995	4,618	(623)
Legal fees	44,000	44,000	35,741	8,259
Miscellaneous	20,350	22,325	20,758	1,567
Office supplies	5,500	6,000	6,535	(535)
Operating supplies	25,564	25,564	32,734	(7,170)
Postage and printing	12,150	12,150	12,750	(600)
Professional services	21,695	34,195	27,753	6,442
Repairs and maintenance	8,338	8,338	5,958	2,380
Telephone and other communications	1,300	1,500	1,351	149
Travel and training	10,000	8,000	6,539	1,461
Utilities	10,250	11,250	10,201	1,049
Vehicle expense	2,200	2,200	471	1,729
Total financial administration	<u>491,834</u>	<u>542,041</u>	<u>513,262</u>	<u>28,779</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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
General Government (Continued)				
Building inspection				
Salaries	\$ 30,304	\$ 30,304	\$ 30,865	\$ (561)
Payroll taxes	2,318	2,318	1,928	390
Fringe benefits	5,711	5,711	5,709	2
Pension expense	2,558	2,558	2,555	3
Contract services	-	3,000	-	3,000
Insurance	2,757	2,757	1,389	1,368
Miscellaneous	200	450	265	185
Office supplies	250	1,250	670	580
Operating supplies	2,700	2,700	3,600	(900)
Postage and printing	350	350	62	288
Professional services	10,000	7,000	1,250	5,750
Repairs and maintenance	1,100	1,100	278	822
Telephone and other communications	600	600	737	(137)
Travel and training	1,000	1,000	150	850
Vehicle expense	800	800	952	(152)
Total building inspection	60,648	61,898	50,410	11,488
Total general government	597,506	654,990	608,675	46,315

(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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public safety				
Police department				
Salaries	\$ 695,280	\$ 695,280	\$ 625,611	\$ 69,669
Payroll taxes	53,189	53,189	41,425	11,764
Fringe benefits	95,109	95,109	62,232	32,877
Pension expense	83,016	83,016	72,363	10,653
Animal control	3,000	3,000	2,545	455
Contract services	49,444	49,094	47,441	1,653
Insurance	57,667	57,667	46,977	10,690
Miscellaneous	1,700	1,700	1,754	(54)
Office supplies	1,500	2,000	1,988	12
Operating supplies	25,000	25,000	21,676	3,324
Postage and printing	1,800	1,800	1,227	573
Repairs and maintenance	20,580	18,580	25,198	(6,618)
Telephone and other communications	12,550	16,150	15,803	347
Travel and training	10,000	8,000	9,967	(1,967)
Utilities	6,200	6,450	5,913	537
Vehicle expense	52,200	52,200	42,363	9,837
Total police department	<u>1,168,235</u>	<u>1,168,235</u>	<u>1,024,483</u>	<u>143,752</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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public safety (Continued)				
Fire department				
Salaries	\$ 715,223	\$ 715,223	\$ 743,166	\$ (27,943)
Payroll taxes	55,097	55,097	49,475	5,622
Fringe benefits	98,094	98,094	90,747	7,347
Pension expense	80,666	80,666	81,609	(943)
Contract services	45,944	45,944	45,943	1
Insurance	40,388	44,388	37,420	6,968
Miscellaneous	12,500	11,500	6,573	4,927
Office supplies	1,200	1,200	2,088	(888)
Operating supplies	38,201	44,788	41,697	3,091
Postage and printing	450	450	186	264
Repairs and maintenance	20,700	19,700	15,590	4,110
Telephone and other communications	6,300	6,300	4,226	2,074
Travel and training	10,200	8,200	7,561	639
Utilities	13,200	13,200	11,067	2,133
Vehicle expense	14,500	14,500	10,326	4,174
Total fire department	<u>1,152,663</u>	<u>1,159,250</u>	<u>1,147,674</u>	<u>11,576</u>
Total public safety	<u>2,320,898</u>	<u>2,327,485</u>	<u>2,172,157</u>	<u>155,328</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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public Works				
Public works administration				
Salaries	\$ 71,118	\$ 71,118	\$ 65,918	\$ 5,200
Payroll taxes	5,440	5,440	4,116	1,324
Fringe benefits	12,053	12,053	11,889	164
Pension expense	6,002	6,002	5,488	514
Insurance	1,534	1,834	1,498	336
Miscellaneous	750	750	556	194
Office supplies	600	600	770	(170)
Operating supplies	2,700	2,161	1,350	811
Postage and printing	450	125	103	22
Professional services	45,000	66,039	51,774	14,265
Repairs and maintenance	600	550	216	334
Telephone and other communications	500	500	611	(111)
Travel and training	3,000	3,000	1,981	1,019
Utilities	850	850	318	532
Vehicle expense	850	1,464	1,473	(9)
Total public works administration	151,447	172,486	148,061	24,425
Highway and street maintenance				
Salaries	184,945	134,945	129,803	5,142
Payroll taxes	14,149	10,324	7,949	2,375
Fringe benefits	52,507	52,507	48,847	3,660
Pension expense	15,820	11,555	10,749	806
Insurance	22,821	17,933	19,631	(1,698)
Miscellaneous	300	300	177	123
Office supplies	100	100	50	50
Operating supplies	9,350	9,350	12,028	(2,678)
Paving and road repair	38,550	38,550	28,722	9,828
Postage and printing	1,000	1,000	109	891
Repairs and maintenance	19,000	37,720	30,824	6,896
Telephone and other communications	2,100	2,100	1,655	445
Travel and training	2,000	2,000	757	1,243
Vehicle expense	32,900	30,900	23,358	7,542
Total highway and street maintenance	395,542	349,284	314,659	34,625

(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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public Works (Continued)				
Solid waste department				
Salaries	\$ 154,377	\$ 204,377	\$ 190,934	\$ 13,443
Payroll taxes	11,810	15,635	13,860	1,775
Fringe benefits	4,240	4,240	2,670	1,570
Pension expense	10,498	14,763	15,204	(441)
Contract services	-	41,000	30,047	10,953
Insurance	20,901	25,789	8,988	16,801
Landfill - hauling services	50,000	50,000	48,924	1,076
Landfill services	110,000	103,273	80,327	22,946
Miscellaneous	3,400	3,400	2,379	1,021
Office supplies	300	300	153	147
Operating supplies	2,350	2,350	1,857	493
Postage and printing	1,200	1,200	384	816
Professional services	41,000	-	-	-
Repair and maintenance	22,000	27,000	28,673	(1,673)
Telephone and other communications	500	500	339	161
Travel and training	1,500	1,500	1,361	139
Vehicle expense	58,900	60,627	46,132	14,495
Total solid waste department	492,976	555,954	472,232	83,722
Recycle center				
Salaries	7,976	7,976	8,229	(253)
Payroll taxes	610	610	585	25
Fringe benefits	1,012	1,012	948	64
Pension expense	673	673	692	(19)
Contract services	-	44,200	47,788	(3,588)
Insurance	1,443	1,443	4,516	(3,073)
Operating supplies	1,150	1,150	1,730	(580)
Professional services	44,200	-	-	-
Repair and maintenance	3,500	3,500	272	3,228
Telephone and other communications	600	600	539	61
Utilities	850	850	682	168
Vehicle expense	-	-	273	(273)
Total recycle center	62,014	62,014	66,254	(4,240)
Total public works	1,101,979	1,139,738	1,001,206	138,532

(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, 2014

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public Welfare and Recreation				
Recreation administration				
Salaries	\$ 44,480	\$ 44,480	\$ 45,266	\$ (786)
Payroll taxes	3,403	3,403	2,962	441
Fringe benefits	7,118	7,118	6,748	370
Pension expense	3,754	3,754	3,770	(16)
Insurance	2,933	2,933	1,160	1,773
Miscellaneous	400	400	-	400
Operating supplies	350	350	-	350
Postage and printing	110	2,110	2,055	55
Telephone and other communications	500	500	458	42
Travel and training	3,000	1,000	669	331
Total recreation administration	66,048	66,048	63,088	2,960
Mountain Arts				
Salaries	68,178	71,628	72,784	(1,156)
Payroll taxes	9,534	9,783	5,193	4,590
Fringe benefits	3,605	3,605	3,463	142
Pension expense	3,637	3,637	3,731	(94)
Contract services	8,000	7,000	5,270	1,730
Insurance	1,988	3,805	3,773	32
Miscellaneous	5,450	8,215	7,216	999
Office supplies	1,500	1,400	1,915	(515)
Operating supplies	11,530	13,880	12,896	984
Postage and printing	3,050	8,500	7,247	1,253
Professional services	13,500	11,109	3,387	7,722
Repairs and maintenance	28,500	24,756	34,110	(9,354)
Telephone and other communications	2,000	2,000	1,972	28
Travel and training	750	750	515	235
Utilities	20,000	26,000	24,981	1,019
Vehicle expense	50	50	45	5
Total Mountain Arts	181,272	196,118	188,498	7,620

(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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public Welfare and Recreation (Continued)				
Pool				
Salaries	\$ 40,958	\$ 40,958	\$ 38,253	\$ 2,705
Payroll tax	3,133	3,133	2,622	511
Insurance	3,629	3,629	3,704	(75)
Miscellaneous	1,100	1,500	3,066	(1,566)
Office supplies	100	100	60	40
Operating supplies	18,800	20,300	25,515	(5,215)
Repairs and maintenance	11,000	19,000	17,558	1,442
Telephone and other communications	400	450	513	(63)
Utilities	23,000	28,000	27,013	987
Total pool	102,120	117,070	118,304	(1,234)
Parks and recreation maintenance				
Salaries	75,024	79,662	81,197	(1,535)
Payroll taxes	5,739	5,739	5,534	205
Fringe benefits	10,516	10,516	9,820	696
Pension expense	4,304	4,304	4,365	(61)
Insurance	5,377	5,877	5,227	650
Miscellaneous	-	-	81	(81)
Operating supplies	8,700	8,840	8,153	687
Repairs and maintenance	13,500	17,600	16,909	691
Utilities	4,000	2,500	1,723	777
Vehicle expense	9,300	11,800	9,728	2,072
Total parks and recreation maintenance	136,460	146,838	142,737	4,101
Tennis court				
Insurance	800	800	1,515	(715)
Operating supplies	2,500	2,500	2,314	186
Repairs and maintenance	14,000	9,000	9,634	(634)
Telephone and other communications	550	550	514	36
Utilities	1,000	1,000	618	382
Total tennis courts	18,850	13,850	14,595	(745)

(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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public Welfare and Recreation (Continued)				
Ballfields				
Insurance	\$ 900	\$ 900	\$ 1,239	\$ (339)
Operating supplies	7,700	5,700	6,177	(477)
Professional services	-	-	167	(167)
Repairs and maintenance	16,000	18,000	19,082	(1,082)
Utilities	8,200	8,200	7,996	204
Total ballfields	32,800	32,800	34,661	(1,861)
Summer recreation program				
Salaries	6,310	-	-	-
Payroll taxes	483	-	-	-
Insurance	383	238	240	(2)
Operating supplies	1,500	-	-	-
Total summer recreation program	8,676	238	240	(2)
Gym				
Salaries	22,633	20,133	21,724	(1,591)
Payroll taxes	1,731	1,731	1,510	221
Insurance	2,012	3,512	2,769	743
Miscellaneous	-	-	77	(77)
Operating supplies	4,000	3,300	2,618	682
Repairs and maintenance	4,200	3,000	1,727	1,273
Utilities	9,000	11,000	10,751	249
Total gym	43,576	42,676	41,176	1,500

(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, 2014

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Public Welfare and Recreation (Continued)				
Libraries				
Salaries	\$ 82,386	\$ 82,386	\$ 81,028	\$ 1,358
Payroll taxes	6,303	6,303	5,731	572
Fringe benefits	7,620	7,620	6,650	970
Pension expense	3,492	3,492	3,506	(14)
Insurance	2,324	2,824	2,841	(17)
Miscellaneous	370	370	250	120
Office supplies	3,000	3,000	2,552	448
Operating supplies	22,800	22,800	24,369	(1,569)
Postage and printing	1,565	1,565	1,036	529
Professional services	3,000	3,000	3,019	(19)
Repairs and maintenance	3,200	2,700	3,596	(896)
Telephone and other communications	2,300	2,300	1,543	757
Travel and training	400	400	-	400
Utilities	7,350	7,350	7,269	81
Total libraries	146,110	146,110	143,390	2,720
Total public welfare and recreation	735,912	761,748	746,689	15,059
Maintenance shop				
Salaries	36,198	36,198	40,834	(4,636)
Payroll taxes	2,754	2,754	2,446	308
Fringe benefits	7,562	7,562	7,043	519
Pension expense	3,055	3,055	3,396	(341)
Insurance	2,303	2,753	2,276	477
Operating supplies	4,750	4,950	6,146	(1,196)
Repairs and maintenance	2,600	2,700	1,844	856
Telephone and other communications	2,000	2,000	1,420	580
Travel and training	500	350	341	9
Utilities	14,400	15,800	16,295	(495)
Vehicle expense	1,650	1,650	1,436	214
Total maintenance shop	77,772	79,772	83,477	(3,705)

(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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
EXPENDITURES (Continued)				
Capital Outlay				
General government	\$ 18,932	\$ 13,580	\$ -	\$ 13,580
Public safety	19,885	13,298	-	13,298
Public works	7,000	5,000	-	5,000
Public welfare and recreation	331,000	158,820	120,240	38,580
Maintenance shop	-	2,000	-	2,000
Total capital outlay	<u>376,817</u>	<u>192,698</u>	<u>120,240</u>	<u>72,458</u>
Debt Service				
Principal paid	732,637	782,637	780,638	1,999
Interest	<u>51,480</u>	<u>51,480</u>	<u>41,261</u>	<u>10,219</u>
Total debt service	<u>784,117</u>	<u>834,117</u>	<u>821,899</u>	<u>12,218</u>
TOTAL EXPENDITURES	<u>5,995,001</u>	<u>5,990,548</u>	<u>5,554,343</u>	<u>436,205</u>
Excess (deficiency) of revenues over (under) expenditures	611,971	77,924	1,036,098	958,174
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(396,609)</u>	<u>(395,359)</u>	<u>(270,360)</u>	<u>124,999</u>
Net changes in fund balances	215,362	(317,435)	765,738	1,083,173
Fund balances - beginning	<u>5,480,892</u>	<u>5,480,892</u>	<u>5,480,892</u>	<u>-</u>
Fund balances - end	<u>\$ 5,696,254</u>	<u>\$ 5,163,457</u>	<u>\$ 6,246,630</u>	<u>\$ 1,083,173</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, 2014

	Enterprise Funds		
		Other	
		Enterprise Fund	
	Water	Stormwater	Totals
	Fund	Fund	
ASSETS			
Current assets			
Cash	\$ 1,156,295	\$ 310,958	\$ 1,467,253
Investments	1,914,653	41,569	1,956,222
Accounts receivable - net	389,909	-	389,909
Due from other funds	-	267,214	267,214
Interest receivable	465	-	465
Inventories	95,891	-	95,891
Total current assets	<u>3,557,213</u>	<u>619,741</u>	<u>4,176,954</u>
Non-current assets			
Other assets:			
Customer lists - Walden's Ridge - net	<u>16,777</u>	<u>-</u>	<u>16,777</u>
Capital assets			
Land and construction in progress	15,794	-	15,794
Other capital assets - net of accumulated depreciation	<u>3,172,178</u>	<u>107,980</u>	<u>3,280,158</u>
Total capital assets	<u>3,187,972</u>	<u>107,980</u>	<u>3,295,952</u>
Total non-current assets	<u>3,204,749</u>	<u>107,980</u>	<u>3,312,729</u>
TOTAL ASSETS	<u>\$ 6,761,962</u>	<u>\$ 727,721</u>	<u>\$ 7,489,683</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 152,350	\$ 1,387	\$ 153,737
Accrued liabilities	10,566	3,969	14,535
Due to other funds	<u>18,135</u>	<u>-</u>	<u>18,135</u>
Total current liabilities	<u>181,051</u>	<u>5,356</u>	<u>186,407</u>
Non-current liabilities			
Customer deposits	169,777	-	169,777
Compensated absences payable	<u>32,023</u>	<u>3,326</u>	<u>35,349</u>
Total non-current liabilities	<u>201,800</u>	<u>3,326</u>	<u>205,126</u>
TOTAL LIABILITIES	<u>\$ 382,851</u>	<u>\$ 8,682</u>	<u>\$ 391,533</u>
NET POSITION			
Net investment in capital assets	\$ 3,187,972	\$ 107,980	\$ 3,295,952
Unrestricted	<u>3,191,139</u>	<u>611,059</u>	<u>3,802,198</u>
TOTAL NET POSITION	<u>\$ 6,379,111</u>	<u>\$ 719,039</u>	<u>\$ 7,098,150</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, 2014

	Enterprise Funds		
		Other	
	Water	Enterprise Fund	
	Fund	Stormwater	Total
	Fund	Fund	
OPERATING REVENUES			
Water service charges	\$ 1,326,362	\$ -	\$ 1,326,362
Stormwater user fees	-	272,120	272,120
Penalties	27,397	-	27,397
Other revenue	4,539	100	4,639
Total operating revenues	<u>1,358,298</u>	<u>272,220</u>	<u>1,630,518</u>
OPERATING EXPENSES			
Water purchases	391,031	-	391,031
Power and pumping	194,681	-	194,681
Treatment and transmission	168,125	-	168,125
Maintenance	271,839	-	271,839
Stormwater operations	-	153,123	153,123
Administration	94,510	-	94,510
Depreciation	<u>199,681</u>	<u>37,599</u>	<u>237,280</u>
Total operating expenses	<u>1,319,867</u>	<u>190,722</u>	<u>1,510,589</u>
Operating income	<u>38,431</u>	<u>81,498</u>	<u>119,929</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest earnings	6,969	208	7,177
Amortization expense	<u>(2,961)</u>	<u>-</u>	<u>(2,961)</u>
Total non-operating revenues (expenses)	<u>4,008</u>	<u>208</u>	<u>4,216</u>
Changes in net position	42,439	81,706	124,145
Net position - beginning	<u>6,336,672</u>	<u>637,333</u>	<u>6,974,005</u>
Net position - end	<u>\$ 6,379,111</u>	<u>\$ 719,039</u>	<u>\$ 7,098,150</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, 2014

	Enterprise Funds		
		Other	
		Enterprise Fund	
	Water	Stormwater	Totals
	Fund	Fund	
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,324,286	\$ 272,220	\$ 1,596,506
Payments to suppliers	(886,553)	(73,649)	(960,202)
Payments to employees	(233,374)	(81,332)	(314,706)
Net cash provided (used) by operating activities	<u>204,359</u>	<u>117,239</u>	<u>321,598</u>
Cash Flows from Non-capital and Related Financing Activities			
Due to/from other funds	(22,642)	(33,570)	(56,212)
Net cash provided (used) by non-capital financing activities	<u>(22,642)</u>	<u>(33,570)</u>	<u>(56,212)</u>
Cash Flows from Capital and Related Financing Activities			
Amortization of customer lists	(2,961)	-	(2,961)
Acquisitions and construction of capital assets	(7,849)	-	(7,849)
Net cash provided (used) by capital and related financing activities	<u>(10,810)</u>	<u>-</u>	<u>(10,810)</u>
Cash Flows from Investing Activities			
(Purchase) sale of investments	(4,930)	(37)	(4,967)
Interest revenue received	6,969	208	7,177
Net cash provided (used) by investing activities	<u>2,039</u>	<u>171</u>	<u>2,210</u>
Net increase (decrease) in cash	172,946	83,840	256,786
Cash - beginning	<u>983,349</u>	<u>227,118</u>	<u>1,210,467</u>
Cash - end	<u>\$ 1,156,295</u>	<u>\$ 310,958</u>	<u>\$ 1,467,253</u>
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities			
Operating income	\$ 38,431	\$ 81,498	\$ 119,929
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	199,681	37,599	237,280
(Increase) decrease in accounts receivable - net	(34,012)	-	(34,012)
(Increase) decrease in interest receivable	(2)	-	(2)
(Increase) decrease in inventories	(30,745)	-	(30,745)
(Increase) decrease in customer lists	2,961	-	2,961
Increase (decrease) in accounts payable	14,314	(2,218)	12,096
Increase (decrease) in accrued liabilities	1,543	27	1,570
Increase (decrease) in compensated absences payable	3,996	333	4,329
Increase (decrease) in customer deposits	8,192	-	8,192
Total adjustments	<u>165,928</u>	<u>35,741</u>	<u>201,669</u>
Net cash provided (used) by operating activities	<u>\$ 204,359</u>	<u>\$ 117,239</u>	<u>\$ 321,598</u>

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Notes to Financial Statements
June 30, 2014

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)

B. Basic Financial Statements (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.

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 decreased budgeted revenues by \$538,500, decreased budgeted expenditures by \$4,453, and decreased budgeted transfers out by \$1,250 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, 2014, 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 \$5,000 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Deferred Outflows/Inflows of Resources

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

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

P. 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.

Q. 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.

R. Events Occurring after Reporting Date

The Town has evaluated events and transactions that occurred between June 30, 2014, and November 12, 2014, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure the 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, 2014, the carrying amount of the Town's deposits was \$5,859,261, and the bank balance was \$6,019,709. 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	\$ 3,675,258
Investments	7,135,572
Restricted investments	56,428
Less: Investments in LGIP	(5,006,972)
Petty cash	(1,025)
Total	<u>\$ 5,859,261</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, 2014. The Town's investments are listed on the Statement of Net Position as follows:

Investments	\$ 7,135,572
Restricted investments	<u>56,428</u>
Total	<u>\$ 7,192,000</u>

\$56,428 of the investments is restricted for payment of debt on a new high school.

NOTE 3 - PROPERTY TAXES - NET

Tax rate for the 2014 levy is \$1.5684 per \$100 of assessed valuation and the tax rate for the 2013 levy is \$1.5684 per \$100 of assessed valuation.

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

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

Lien date	January 1, 2014
Levy date	January 1, 2014
Tax bills mailed	October 1, 2013
Payment due date	October 1, 2013
	Through February 28, 2014
Delinquency date	March 1, 2014

Property taxes receivable as of June 30, 2014, are composed of the following:

<u>Year of Levy</u>	
2014	\$ 4,185,878
2013	77,919
2012	38,584
2011	20,866
2010	13,493
2009	14,387
2008	1,132
2007	671
2006	645
2005	666
	<u>4,354,241</u>
Less: allowance for uncollectibles	<u>(63,675)</u>
Property taxes receivable - net	<u>\$ 4,290,566</u>

NOTE 4 - ACCOUNTS RECEIVABLE - NET

Accounts and other receivables at June 30, 2014, consist of the following:

	Governmental Activities	Business-Type Activities	Total
Customer accounts	\$ -	\$ 396,395	\$ 396,395
Wholesale beer tax	6,124	-	6,124
Franchise tax	14,428	-	14,428
Miscellaneous	8,279	-	8,279
Total	28,831	396,395	425,226
Less allowance for uncollectible accounts	-	(6,486)	(6,486)
	<u>\$28,831</u>	<u>\$ 389,909</u>	<u>\$ 418,740</u>

Bad debt expense was \$4,622 for year ended June 30, 2014.

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Due from other governments as of June 30, 2014, consists of the following receivables from the State of Tennessee.

State income tax	\$ 651,199
State street aid revenues	39,215
City streets and transportation revenues	2,849
Mixed drink tax revenue	5,928
State sales tax revenue	106,205
Local sales tax revenue	60,799
Business tax revenue	145
Other	796
	<u>\$ 867,136</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, 2014, are as follows:

	General Fund	Due From: Water Fund	Total
Due to:			
General Fund	\$ -	\$ 18,135	\$ 18,135
Capital Projects Fund	279,291	-	279,291
Drug Fund	550	-	550
State Street Aid Fund	15,457	-	15,457
Stormwater Fund	267,214	-	267,241
	<u>\$ 562,512</u>	<u>\$ 18,135</u>	<u>\$ 580,647</u>

All balances are expected to be repaid within one year.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 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	5,494,853	-	(765)	5,494,088
Equipment	4,324,533	251,344	(929,669)	3,646,208
Public improvements (infrastructure)	<u>2,260,753</u>	<u>18,070</u>	<u>-</u>	<u>2,278,823</u>
Total capital assets being depreciated	<u>12,080,139</u>	<u>269,414</u>	<u>(930,434)</u>	<u>11,419,119</u>
Less accumulated depreciation for:				
Buildings and other improvements	3,038,888	130,777	(765)	3,168,900
Equipment	2,876,237	333,034	(929,669)	2,279,602
Public improvements (infrastructure)	<u>610,128</u>	<u>72,197</u>	<u>-</u>	<u>682,325</u>
Total accumulated depreciation	<u>6,525,253</u>	<u>536,008</u>	<u>(930,434)</u>	<u>6,130,827</u>
Total capital assets being depreciated - net	<u>5,554,886</u>	<u>(266,594)</u>	<u>-</u>	<u>5,288,292</u>
Governmental activities capital assets - net	<u>\$ 6,368,725</u>	<u>\$ (266,594)</u>	<u>\$ -</u>	<u>\$ 6,102,131</u>

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

General government	\$ 26,715
Public safety	188,101
Public works	181,597
Public welfare and recreation	134,916
Maintenance shop	<u>4,679</u>
Total	<u>\$ 536,008</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 95	\$ -	\$ -	\$ 95
Construction in progress	<u>10,500</u>	<u>5,199</u>	<u>-</u>	<u>15,699</u>
Total capital assets not being depreciated:	<u>10,595</u>	<u>5,199</u>	<u>-</u>	<u>15,794</u>
Capital assets being depreciated:				
Plant in service	6,660,625	-	(1,701)	6,658,924
Equipment	<u>1,103,297</u>	<u>2,650</u>	<u>(154,824)</u>	<u>951,123</u>
Total capital assets being depreciated	<u>7,763,922</u>	<u>2,650</u>	<u>(156,525)</u>	<u>7,610,047</u>
Less accumulated depreciation for:				
Plant in service	3,468,480	128,333	(1,701)	3,595,112
Equipment	<u>780,654</u>	<u>108,947</u>	<u>(154,824)</u>	<u>734,777</u>
Total capital depreciation	<u>4,249,134</u>	<u>237,280</u>	<u>(156,525)</u>	<u>4,329,889</u>
Total capital assets being depreciated - net	<u>3,514,788</u>	<u>(234,630)</u>	<u>-</u>	<u>3,280,158</u>
Business-type activities capital assets - net	<u>\$3,525,383</u>	<u>\$(229,431)</u>	<u>\$ -</u>	<u>\$3,295,952</u>

NOTE 7 - CAPITAL ASSETS (Continued)

A summary of business-type capital assets by fund at June 30, 2014, follows:

	<u>Water Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Land	\$ 95	\$ -	\$ 95
Construction in progress	15,699	-	15,699
Buildings	181,102	-	181,102
Improvements other than buildings	6,477,822	-	6,477,822
Machinery and equipment	447,563	-	447,563
Vehicles	164,878	172,139	337,017
Office and computer equipment	5,997	160,546	166,543
Total	7,293,156	332,685	7,625,841
Less accumulated depreciation	<u>(4,105,184)</u>	<u>(224,705)</u>	<u>(4,329,889)</u>
Business-type capital assets - net	<u>\$ 3,187,972</u>	<u>\$ 107,980</u>	<u>\$ 3,295,952</u>

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

Water	\$ 199,681
Stormwater	<u>37,599</u>
Total	<u>\$ 237,280</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>\$ 96,645</u>	<u>\$ 4,185,878</u>	<u>\$ 4,282,523</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, due 5/25/2021		\$ 1,231,948
Capital outlay note, Local Government Energy Efficiency Loan, 0% interest, due 2/2015	12-17-07	5,757
Capital outlay note, Series 2010, 2.75% interest, due 8/15/2018	09-15-10	370,960
Compensated absences payable		<u>156,016</u>
		1,764,681
Less: current portion of governmental long-term debt		<u>(410,957)</u>
Total governmental long-term debt		<u>\$ 1,353,724</u>

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

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>	<u>Amount Due Within One Year</u>
Capital outlay note, 2007	\$ 1,923,949	\$ -	\$ (692,001)	\$ 1,231,948	\$ 320,000
Capital outlay note	11,514	-	(5,757)	5,757	5,757
Capital outlay note, 2010	453,840	-	(82,880)	370,960	85,200
Compensated absences	<u>147,303</u>	<u>8,713</u>	<u>-</u>	<u>156,016</u>	<u>-</u>
Total	<u>\$ 2,536,606</u>	<u>\$ 8,713</u>	<u>\$ (780,638)</u>	1,764,681	<u>\$ 410,957</u>
Less: Current portion of governmental long-term debt				<u>(410,957)</u>	
Total governmental long-term debt				<u>\$ 1,353,724</u>	

Interest paid during the year ended June 30, 2014, on governmental long-term debt was \$41,261.

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 \$65,434 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 410,957	\$ 27,189	\$ 438,146
2016	419,580	20,126	439,706
2017	436,000	12,821	448,821
2018	326,468	5,244	331,712
2019	<u>15,660</u>	<u>54</u>	<u>15,714</u>
	<u>\$ 1,608,665</u>	<u>\$ 65,434</u>	<u>\$ 1,674,099</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.

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> \$ 32,023
	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>	<u>Amount Due Within One Year</u>
Compensated absences	\$ 28,027	\$ 3,996	\$ -	\$ 32,023	\$ -
Less: current portion of water long-term debt				-	
Total water long-term debt				\$ 32,023	

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> \$3,326
	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>	<u>Amount Due Within One Year</u>
Compensated absences	\$ 2,993	\$ 333	\$ -	\$ 3,326	\$ -
Less: Current portion of stormwater long-term debt				-	
Total stormwater long-term debt				\$ 3,326	

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. \$3,898 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. \$56,428 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. \$10,181 is legally restricted for use in investigations of drug-related violations and drug prevention programs. \$76,997 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. \$1,244,423 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. \$440,077 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:

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

\$56,428 is legally restricted for debt service on a local middle/high school.

\$10,181 is legally restricted for use in investigations of drug-related violations and drug prevention programs.

\$76,997 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>Transfer from:</u>	<u>Transfers to:</u>
General Fund	Capital Projects
	Fund
	<u>\$ 270,360</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, 15th 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, 2014, was 10.26% 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, 2014, Signal Mountain's annual pension cost of \$251,361 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 1, 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>
6/30/14	\$ 251,361	100.00%	\$0.00
6/30/13	\$ 249,733	100.00%	\$0.00
6/30/12	\$ 243,696	100.00%	\$0.00

E. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 82.86% funded. The actuarial accrued liability for benefits was \$7.04 million, and the actuarial value of assets was \$5.84 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.21 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.32 million, and the ratio of the UAAL to the covered payroll was 51.94%.

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 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, 2013	\$ 5,837	\$ 7,044	\$ 1,208	82.86%	\$ 2,325	51.94%
July 01, 2011	\$ 5,141	\$ 6,286	\$ 1,145	81.79%	\$ 2,108	54.30%
July 01, 2009	\$ 4,243	\$ 4,623	\$ 380	91.79%	\$ 2,218	17.12%

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	\$14,941,025
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, 2014. No provision has been made in the financial statements for the year ended June 30, 2014, 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 \$(1,764,681) difference are as follows:

Notes payable	\$ (1,608,665)
Compensated absences	<u>(156,016)</u>
Net adjustment	<u>\$ (1,764,681)</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 \$(266,594) difference are as follows:

Capital outlay	\$ 269,414
Depreciation expense	<u>(536,008)</u>
Net adjustment	<u>\$ (266,594)</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 \$780,638 difference are as follows:

Principal repayments:	
Notes annual payments	<u>\$ 780,638</u>
Net adjustment	<u>\$ 780,638</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, 2014

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	\$5,837	\$7,044	\$1,208	82.86%	\$2,325	51.94%
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%

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, 2014

	Special Revenue		Total Non-major Governmental Funds
	Drug Fund	State Street Aid Fund	
ASSETS			
Cash	\$ 9,631	\$ 234,653	\$ 244,284
Investments	-	43,482	43,482
Due from other funds	550	15,457	16,007
Due from other governments	-	39,215	39,215
TOTAL ASSETS	\$ 10,181	\$ 332,807	\$ 342,988
LIABILITIES			
Accounts payable	\$ -	\$ 255,810	255,810
Total liabilities	-	255,810	255,810
FUND BALANCES			
Restricted	10,181	76,997	87,178
Total fund balances	10,181	76,997	87,178
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,181	\$ 332,807	\$ 342,988

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Non-Major Governmental Fund
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2014

	Special Revenue		Total
	Drug Fund	State Street Aid Fund	Non-major Governmental Funds
REVENUES			
Intergovernmental	\$ -	\$ 235,272	\$ 235,272
Fines and forfeitures	560	-	560
Other revenues	6	59	65
TOTAL REVENUES	<u>566</u>	<u>235,331</u>	<u>235,897</u>
EXPENDITURES			
Current Expenditures			
Public safety	3,999	-	3,999
Public works	-	298,128	298,128
Capital Outlay	<u>-</u>	<u>18,070</u>	<u>18,070</u>
TOTAL EXPENDITURES	<u>3,999</u>	<u>316,198</u>	<u>320,197</u>
Excess (deficiency) of revenues over (under) expenditures	(3,433)	(80,867)	(84,300)
Fund balances - beginning	<u>13,614</u>	<u>157,864</u>	<u>171,478</u>
Fund balances - end	<u>\$ 10,181</u>	<u>\$ 76,997</u>	<u>\$ 87,178</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Drug Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
REVENUES				
Fines and forfeitures				
City court revenues	\$ 2,800	\$ 2,800	\$ 560	\$ (2,240)
Other revenues				
Interest earnings	6	6	6	-
TOTAL REVENUES	<u>2,806</u>	<u>2,806</u>	<u>566</u>	<u>(2,240)</u>
EXPENDITURES				
Current Expenditures				
Public safety				
Drug prevention	1,000	1,000	119	881
Operating supplies	-	-	3,880	(3,880)
Total public safety	<u>1,000</u>	<u>1,000</u>	<u>3,999</u>	<u>(2,999)</u>
Capital Outlay				
Public safety				
Equipment	<u>5,500</u>	<u>5,500</u>	<u>-</u>	<u>5,500</u>
TOTAL EXPENDITURES	<u>6,500</u>	<u>6,500</u>	<u>3,999</u>	<u>2,501</u>
Net changes in fund balances	(3,694)	(3,694)	(3,433)	261
Fund balances - beginning	<u>13,614</u>	<u>13,614</u>	<u>13,614</u>	<u>-</u>
Fund balances - end	<u>\$ 9,920</u>	<u>\$ 9,920</u>	<u>\$ 10,181</u>	<u>\$ 261</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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Grants	\$ 81,480	\$ 81,480	\$ 18,904	\$ (62,576)
Streets and transportation	191,000	191,000	216,368	25,368
Total intergovernmental	<u>272,480</u>	<u>272,480</u>	<u>235,272</u>	<u>(37,208)</u>
Other revenues				
Interest earnings	200	200	59	(141)
TOTAL REVENUES	<u>272,680</u>	<u>272,680</u>	<u>235,331</u>	<u>(37,349)</u>
EXPENDITURES				
Current Expenditures				
Public works				
Highways and street maintenance				
Street lighting (electricity)	18,000	18,000	18,377	(377)
Engineering	50,000	50,000	2,470	47,530
Tree removal	16,000	16,000	12,858	3,142
Paint and stripping	28,500	28,500	8,613	19,887
Repairs and maintenance	-	-	255,810	(255,810)
Total public works	<u>112,500</u>	<u>112,500</u>	<u>298,128</u>	<u>(185,628)</u>
Capital Outlay				
Public works				
Highways and street maintenance				
Street infrastructure	307,600	307,600	18,070	289,530
Other improvements	69,250	69,250	-	69,250
Total public works	<u>376,850</u>	<u>376,850</u>	<u>18,070</u>	<u>358,780</u>
TOTAL EXPENDITURES	<u>489,350</u>	<u>489,350</u>	<u>316,198</u>	<u>173,152</u>
Excess (deficiency) of revenues over (under) expenditures	(216,670)	(216,670)	(80,867)	135,803
OTHER FINANCING SOURCES (USES)				
Transfers in	123,248	123,248	-	(123,248)
Net changes in fund balances	(93,422)	(93,422)	(80,867)	135,803
Fund balances - beginning	<u>157,864</u>	<u>157,864</u>	<u>157,864</u>	<u>-</u>
Fund balances - end	<u>\$ 64,442</u>	<u>\$ 64,442</u>	<u>\$ 76,997</u>	<u>\$ 12,555</u>

FINANCIAL SCHEDULES

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2014

<u>Grantor/Pass-through Agency</u>	<u>CFDA Number</u>	<u>State Grant/Project Number</u>	<u>(Accrued) Deferred Grant Revenues July 1, 2013</u>	<u>Grant Revenues Received</u>	<u>Expenditures</u>	<u>(Accrued) Deferred Grant Revenues June 30, 2014</u>
Federal						
U.S. Department of Transportation Transportation Enhancement Section	20.205	STP-M-9215(2)	\$ -	\$ 18,904	\$ 18,904	\$ -
State						
Commissioner of Finance and Administration Police Department High Visibility Grant	-	#154AL-13-208	-	1,583	1,583	-
Total Federal and State Awards			\$ -	\$ 20,487	\$ 20,487	\$ -

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Notes to the Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2014

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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Taxes	\$ 4,912,850	\$ 4,356,850	\$ 4,575,960	\$ 219,110
Licenses and permits	38,175	38,175	62,751	24,576
Intergovernmental	1,078,700	1,078,700	1,398,491	319,791
Charges for services	283,205	300,705	275,986	(24,719)
Fines and forfeitures	55,000	55,000	42,642	(12,358)
Other revenue	239,042	239,042	234,611	(4,431)
TOTAL REVENUES	6,606,972	6,068,472	6,590,441	521,969
EXPENDITURES				
Current Expenditures				
General government				
Judicial	45,024	51,051	45,003	6,048
Financial administration	491,834	542,041	513,262	28,779
Building inspection	60,648	61,898	50,410	11,488
Public safety				
Police department	1,168,235	1,168,235	1,024,483	143,752
Fire department	1,152,663	1,159,250	1,147,674	11,576
Highways and streets				
Public works administration	151,447	172,486	148,061	24,425
Highway and street maintenance	395,542	349,284	314,659	34,625
Sanitation				
Solid waste department	492,976	555,954	472,232	83,722
Recycle center	62,014	62,014	66,254	(4,240)
Public welfare and recreation				
Recreation	408,530	419,520	414,801	4,719
Mountain Arts	181,272	196,118	188,498	7,620
Libraries	146,110	146,110	143,390	2,720
Maintenance shop	77,772	79,772	83,477	(3,705)
Capital Outlay				
General government				
Judicial	2,000	973	-	973
Financial administration	16,015	11,690	-	11,690
Building inspection	917	917	-	917
Public safety				
Police department	7,000	7,000	-	7,000
Fire department	12,885	6,298	-	6,298
Highways and streets				
Highways and street maintenance	7,000	5,000	-	5,000
Public welfare and recreation				
Recreation	118,000	120,820	120,240	580
Mountain Arts	213,000	38,000	-	38,000
Maintenance shop	-	2,000	-	2,000
Debt Service	784,117	834,117	821,899	12,218
TOTAL EXPENDITURES	5,995,001	5,990,548	5,554,343	436,205
Excess (deficiency) of revenues over (under) expenditures	611,971	77,924	1,036,098	958,174
OTHER FINANCING SOURCES (USES)				
Transfers out	(396,609)	(395,359)	(270,360)	124,999
Net changes in fund balances	215,362	(317,435)	765,738	1,083,173
Fund balances - beginning	5,480,892	5,480,892	5,480,892	-
Fund balances - end	\$ 5,696,254	\$ 5,163,457	\$ 6,246,630	\$ 1,083,173

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
REVENUES				
Other revenues				
Interest earnings	\$ 4,500	\$ 4,500	\$ 1,218	\$ (3,282)
Insurance recoveries	-	-	8,931	8,931
Sale of assets	-	-	34,765	34,765
TOTAL REVENUES	<u>4,500</u>	<u>4,500</u>	<u>44,914</u>	<u>40,414</u>
EXPENDITURES				
Current Expenditures				
Public works				
Miscellaneous	-	-	2,607	(2,607)
Capital Outlay				
General government				
Financial administration	28,000	28,000	-	28,000
Public safety				
Vehicles	78,000	78,000	-	78,000
Public works				
Vehicles	306,000	364,500	96,661	267,839
Total capital outlay	<u>412,000</u>	<u>470,500</u>	<u>96,661</u>	<u>373,839</u>
TOTAL EXPENDITURES	<u>412,000</u>	<u>470,500</u>	<u>99,268</u>	<u>371,232</u>
Excess (deficiency) of revenues over (under) expenditures	(407,500)	(466,000)	(54,354)	411,646
OTHER FINANCING SOURCES (USES)				
Transfers in	268,428	273,361	270,360	(3,001)
Net changes in fund balances	(139,072)	(192,639)	216,006	408,645
Fund balances - beginning	<u>1,028,417</u>	<u>1,028,417</u>	<u>1,028,417</u>	<u>-</u>
Fund balances - end	<u>\$ 889,345</u>	<u>\$ 835,778</u>	<u>\$ 1,244,423</u>	<u>\$ 408,645</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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
REVENUES				
Charges for services				
Sanitation charges for service	\$ 43,750	\$ 43,750	\$ 43,365	\$ (385)
Other revenues				
Interest earnings	95	95	80	(15)
Sale of materials and supplies	20,000	20,000	17,233	(2,767)
Miscellaneous	447	447	1,310	863
Total other revenues	20,542	20,542	18,623	(1,919)
TOTAL REVENUES	64,292	64,292	61,988	(2,304)
EXPENDITURES				
Current Expenditures				
Public Works				
Solid waste department				
Salaries	154,377	204,377	190,934	13,443
Payroll taxes	11,810	15,635	13,860	1,775
Fringe benefits	4,240	4,240	2,670	1,570
Pension expense	10,498	14,763	15,204	(441)
Contract services	-	41,000	30,047	10,953
Insurance	20,901	25,789	8,988	16,801
Landfill - hauling services	50,000	50,000	48,924	1,076
Landfill services	110,000	103,273	80,327	22,946
Miscellaneous	3,400	3,400	2,379	1,021
Office supplies	300	300	153	147
Operating supplies	2,350	2,350	1,857	493
Postage and printing	1,200	1,200	384	816
Professional services	41,000	-	-	-
Repair and maintenance	22,000	27,000	28,673	(1,673)
Telephone and other communications	500	500	339	161
Travel and training	1,500	1,500	1,361	139
Vehicle expense	58,900	60,627	46,132	14,495
Total solid waste department	492,976	555,954	472,232	83,722

(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, 2014

	<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	\$ 7,976	\$ 7,976	\$ 8,229	\$ (253)
Payroll taxes	610	610	585	25
Fringe benefits	1,012	1,012	948	64
Pension expense	673	673	692	(19)
Contract services	-	44,200	47,788	(3,588)
Insurance	1,443	1,443	4,516	(3,073)
Operating supplies	1,150	1,150	1,730	(580)
Professional services	44,200	-	-	-
Repair and maintenance	3,500	3,500	272	3,228
Telephone and other communications	600	600	539	61
Utilities	850	850	682	168
Vehicle expense	-	-	273	(273)
Total recycle center	<u>62,014</u>	<u>62,014</u>	<u>66,254</u>	<u>(4,240)</u>
 Total current expenditures	<u>554,990</u>	<u>617,968</u>	<u>538,486</u>	<u>79,482</u>
 TOTAL EXPENDITURES	<u>554,990</u>	<u>617,968</u>	<u>538,486</u>	<u>79,482</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>(490,698)</u>	<u>(553,676)</u>	<u>(476,498)</u>	<u>77,178</u>
 OTHER FINANCING SOURCES (USES)				
Transfers in	429,524	492,502	455,693	(36,809)
Transfers out	<u>(48,205)</u>	<u>(48,205)</u>	<u>(48,205)</u>	<u>-</u>
Total other financing sources (uses)	<u>381,319</u>	<u>444,297</u>	<u>407,488</u>	<u>(36,809)</u>
 Net changes in fund balances	(109,379)	(109,379)	(69,010)	40,369
 Fund balances - beginning	<u>196,314</u>	<u>196,314</u>	<u>196,314</u>	<u>-</u>
 Fund balances - end	<u>\$ 86,935</u>	<u>\$ 86,935</u>	<u>\$ 127,304</u>	<u>\$ 40,369</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Water Fund
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year Ended June 30, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
OPERATING REVENUES				
Water service charges	\$ 1,436,000	\$ 1,436,000	\$ 1,326,362	\$ (109,638)
Water service penalties	24,245	24,245	27,397	3,152
Other revenue	4,000	4,000	4,539	539
Total operating revenues	<u>1,464,245</u>	<u>1,464,245</u>	<u>1,358,298</u>	<u>(105,947)</u>
OPERATING EXPENSES				
Water purchases	<u>475,000</u>	<u>475,000</u>	<u>391,031</u>	<u>83,969</u>
Power and pumping				
Operating supplies and expense	1,500	1,500	451	1,049
Repairs and maintenance	17,000	17,000	9,271	7,729
Telephone and other communication	1,600	1,600	1,801	(201)
Utilities	205,000	205,000	183,158	21,842
Total power and pumping	<u>225,100</u>	<u>225,100</u>	<u>194,681</u>	<u>30,419</u>
Treatment and transmission				
Miscellaneous	2,000	2,000	2,571	(571)
Operating supplies and expense	560,000	160,000	13,235	146,765
Professional services	70,000	70,000	8,658	61,342
Repairs and maintenance	129,187	137,687	131,268	6,419
Travel and training	400	400	-	400
Vehicle expense	11,940	11,940	12,393	(453)
Total treatment and transmission	<u>773,527</u>	<u>382,027</u>	<u>168,125</u>	<u>213,902</u>
Maintenance				
Salaries	185,502	185,502	180,819	4,683
Payroll taxes	14,191	14,191	13,738	453
Fringe benefits	31,877	31,877	24,077	7,800
Pension expense	15,656	15,656	15,738	(82)
Insurance	11,472	11,472	6,847	4,625
Miscellaneous	100	100	27	73
Operating supplies and expense	87,200	87,200	14,232	72,968
Repairs and maintenance	11,000	10,000	1,472	8,528
Telephone and other communication	2,000	2,000	1,775	225
Travel and training	1,000	1,000	326	674
Utilities	200,280	90,780	8,774	82,006
Vehicle expense	3,000	5,000	4,014	986
Total maintenance	<u>563,278</u>	<u>454,778</u>	<u>271,839</u>	<u>182,939</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, 2014

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
OPERATING EXPENSES (Continued)				
Administration				
Salaries	\$ 52,484	\$ 52,484	\$ 52,555	\$ (71)
Payroll taxes	4,015	4,015	3,984	31
Fringe benefits	9,867	9,867	4,693	5,174
Pension expense	4,430	4,430	4,441	(11)
Insurance	12,943	12,943	12,996	(53)
Miscellaneous	2,550	2,550	2,654	(104)
Office supplies and expense	2,000	2,000	1,628	372
Operating supplies and expense	3,400	3,400	3,546	(146)
Postage and printing	7,500	7,500	6,843	657
Professional services	500	500	-	500
Telephone and other communication	2,500	2,500	1,170	1,330
Travel and training	1,650	1,650	-	1,650
Total administration	<u>103,839</u>	<u>103,839</u>	<u>94,510</u>	<u>9,329</u>
Depreciation	<u>180,000</u>	<u>180,000</u>	<u>199,681</u>	<u>(19,681)</u>
Total operating expenses	<u>2,320,744</u>	<u>1,820,744</u>	<u>1,319,867</u>	<u>500,877</u>
Operating income (loss)	<u>(856,499)</u>	<u>(356,499)</u>	<u>38,431</u>	<u>394,930</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest earnings	7,000	7,000	6,969	(31)
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>4,008</u>	<u>(31)</u>
Changes in net position	(852,460)	(352,460)	42,439	394,899
Net position - beginning	<u>6,336,672</u>	<u>6,336,672</u>	<u>6,336,672</u>	<u>-</u>
Net position - end	<u>\$ 5,484,212</u>	<u>\$ 5,984,212</u>	<u>\$ 6,379,111</u>	<u>\$ 394,899</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Stormwater Fund
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year Ended June 30, 2014

	Budgeted Amount			Variance
	Original	Final	Actual	Favorable (Unfavorable)
OPERATING REVENUES				
Stormwater user fees	\$ 278,000	\$ 278,000	\$ 272,120	\$ (5,880)
Other revenue	-	-	100	100
Total operating revenues	<u>278,000</u>	<u>278,000</u>	<u>272,220</u>	<u>(5,780)</u>
OPERATING EXPENSES				
Stormwater operations				
Salaries	119,877	119,877	81,332	38,545
Payroll taxes	9,171	9,171	5,618	3,553
Fringe benefits	18,043	18,043	8,937	9,106
Pension expense	10,118	10,118	6,810	3,308
Insurance	7,476	7,476	3,668	3,808
Miscellaneous	54,050	49,050	476	48,574
Office supplies and expense	400	400	252	148
Operating supplies and expense	124,600	124,600	10,477	114,123
Permit fee	4,000	4,000	3,460	540
Postage and printing	3,950	3,950	8	3,942
Professional services	5,000	10,000	10,107	(107)
Repairs and maintenance	23,000	23,000	17,048	5,952
Telephone and other communication	700	700	611	89
Travel and training	3,500	3,500	2,683	817
Utilities	1,000	1,000	305	695
Vehicle expense	<u>2,650</u>	<u>2,650</u>	<u>1,331</u>	<u>1,319</u>
Total stormwater operations	<u>387,535</u>	<u>387,535</u>	<u>153,123</u>	<u>234,412</u>
Depreciation	<u>39,000</u>	<u>39,000</u>	<u>37,599</u>	<u>1,401</u>
Total operating expenses	<u>426,535</u>	<u>426,535</u>	<u>190,722</u>	<u>235,813</u>
Operating income (loss)	<u>(148,535)</u>	<u>(148,535)</u>	<u>81,498</u>	<u>230,033</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest earnings	<u>200</u>	<u>200</u>	<u>208</u>	<u>8</u>
Changes in net position	(148,335)	(148,335)	81,706	230,041
Net position - beginning	<u>637,333</u>	<u>637,333</u>	<u>637,333</u>	<u>-</u>
Net position - end	<u>\$ 488,998</u>	<u>\$ 488,998</u>	<u>\$ 719,039</u>	<u>\$ 230,041</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Schedule of Property Taxes Receivable
June 30, 2014

<u>Year of Levy</u>	
2014	\$ 4,185,878
2013	77,919
2012	38,584
2011	20,866
2010	13,493
2009	14,387
2008	1,132
2007	671
2006	645
2005	<u>666</u>
Total property taxes receivable	4,354,241
Less: allowance for uncollectible taxes	<u>(63,675)</u>
Property taxes receivable - net	<u>\$ 4,290,566</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
General Fund
Schedule of Changes in Property Taxes Receivable
June 30, 2014

<u>Year of Levy</u>	<u>Taxes Receivable July 1, 2013</u>	<u>Taxes Levied</u>	<u>Pickups</u>	<u>Discounts and Releases</u>	<u>Collections</u>	<u>Taxes Receivable July 1, 2014</u>
2014	\$ -	\$ 4,185,878	\$ -	\$ -	\$ -	\$ 4,185,878
2013	4,064,912	267,437 (1)	9,134	(320)	(4,263,244)	77,919
2012	77,723	-	-	-	(39,139)	38,584
2011	28,045	-	-	-	(7,179)	20,866
2010	16,653	-	-	-	(3,160)	13,493
2009	14,578	-	-	-	(191)	14,387
2008	1,132	-	-	-	-	1,132
2007	671	-	-	-	-	671
2006	645	-	-	-	-	645
2005	666	-	-	-	-	666
2004	911	-	-	(911)	-	-
	<u>\$ 4,205,936</u>	<u>\$ 4,453,315</u>	<u>\$ 9,134</u>	<u>\$ (1,231)</u>	<u>\$ (4,312,913)</u>	<u>\$ 4,354,241</u>

(1) 2013 Stormwater fees

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Governmental Funds
Schedule of Debt Service Requirements
June 30, 2014

CAPITAL OUTLAY NOTE - SERIES 2007

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 320,000	\$ 18,056	\$ 338,056
2016	332,000	13,366	345,366
2017	346,000	8,500	354,500
2018	<u>233,948</u>	<u>3,429</u>	<u>237,377</u>
Total	<u>\$ 1,231,948</u>	<u>\$ 43,351</u>	<u>\$ 1,275,299</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Governmental Funds
Schedule of Debt Service Requirements
June 30, 2014

CAPITAL OUTLAY NOTE
LOCAL GOVERNMENT ENERGY EFFICIENCY LOAN

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Governmental Funds
Schedule of Debt Service Requirements
June 30, 2014

CAPITAL OUTLAY NOTE - SERIES 2010

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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>\$ 370,960</u>	<u>\$ 22,083</u>	<u>\$ 393,043</u>

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Insurance Coverage
June 30, 2014

<u>Coverage</u>	<u>Amount</u>
Buildings and personal property (except Country Club)	\$14,941,025
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
Schedule of Property Taxes Levied and Property Tax Collections - Last Ten Years
Years Ended June 30, 2004 to 2013

<u>Year of Levy</u>	<u>Tax Rate Per \$100</u>	<u>Total Tax Levy</u>	<u>Collections of Current Levy During Period</u>	<u>Percent of Current Collections to Levy</u>	<u>Collections of Prior Years Levy During Period</u>	<u>Total Collections During Period</u>	<u>Percent of Total Collections to Current Year Levy</u>	<u>Discounts and Adjustments During Period</u>	<u>Accumulated Delinquent Property Taxes</u>	<u>Percent of Delinquent Property Taxes to Current Year Levy</u>
2013	\$ 1.568	\$ 4,332,349	\$ 4,263,244	98.4%	\$ 49,669	\$ 4,312,913	99.6%	\$ 7,903	\$ 168,363	3.9%
2012	\$ 1.663	\$ 3,892,170	\$ 3,839,984	98.7%	\$ 41,599	\$ 3,881,583	99.7%	\$ 24,728	\$ 141,024	3.6%
2011	\$ 1.663	\$ 3,868,646	\$ 3,810,546	98.5%	\$ 68,814	\$ 3,879,360	100.3%	\$ 8,258	\$ 105,709	2.7%
2010	\$ 1.513	\$ 3,291,387	\$ 3,217,605	97.8%	\$ 57,318	\$ 3,274,923	99.5%	\$ 4,347	\$ 108,165	3.3%
2009	\$ 1.513	\$ 3,261,519	\$ 3,198,769	98.1%	\$ 49,776	\$ 3,248,545	99.6%	\$ 2,260	\$ 87,354	2.7%
2008	\$ 1.775	\$ 3,271,540	\$ 3,210,245	98.1%	\$ 36,841	\$ 3,247,086	99.3%	\$ (837)	\$ 72,120	2.2%
2007	\$ 1.775	\$ 3,214,431	\$ 3,174,643	98.7%	\$ 37,656	\$ 3,212,299	99.9%	\$ (448)	\$ 45,609	1.4%
2006	\$ 1.775	\$ 3,163,006	\$ 3,129,907	99.0%	\$ 30,324	\$ 3,160,231	99.9%	\$ (276)	\$ 44,068	1.4%
2005	\$ 1.425	\$ 2,487,358	\$ 2,449,916	98.4%	\$ 21,709	\$ 2,471,625	99.4%	\$ 1,490	\$ 41,571	1.7%
2004	\$ 1.65	\$ 2,481,773	\$ 2,460,207	99.1%	\$ 35,121	\$ 2,495,328	100.5%	\$ (154)	\$ 24,348	1.0%

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Tax Rates and Assessed Valuation
Applicable to the Last Ten Years
June 30, 2014

<u>Year of Levy</u>	<u>Tax Rate</u> Per \$100	<u>Assessed Valuation</u>			<u>Total</u>
		<u>Property</u>	<u>Personalty</u>	<u>Utilities</u>	
2014	\$ 1.5684	\$ 257,035,529	\$ 2,756,475	\$ 7,096,404	\$ 266,888,408
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

NOTE: On July 1, 2013, the Town of Signal Mountain approved the levy for the year ended June 30, 2014. The tax rate adopted for each \$100 of assessed valuation for the 2013 levy was \$1.5684.

On July 1, 2014, the Town of Signal Mountain approved the levy for the year ended June 30, 2015, for the residents on record as of January 1, 2013. The 2013 levy was recorded as a receivable and deferred revenue for the year ended June 30, 2014.

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Unaccounted for Water
June 30, 2014

**AWWA Free Water Audit Software:
Reporting Worksheet**

Water Audit Report for: Town of Signal Mountain (0000634)
Reporting Year: 2014 7/2013 - 6/2014

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

WATER SUPPLIED

Volume from own sources:
Water imported:
Water exported:

----- Enter grading in column 'E' and 'J' ----->

		MG/Yr
9	276.186	MG/Yr
		MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: Value:

		MG/Yr
		MG/Yr
		MG/Yr

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

WATER SUPPLIED: 276.186 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:
Billed unmetered:
Unbilled metered:
Unbilled unmetered:

7	200.908	MG/Yr
		MG/Yr
5	0.001	MG/Yr
10	1.113	MG/Yr

Pcnt: Value:

1.25%	1.113	MG/Yr
-------	-------	-------

AUTHORIZED CONSUMPTION: 202.022 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

74.164 MG/Yr

Apparent Losses

Unauthorized consumption:

7	0.030	MG/Yr
---	-------	-------

Pcnt: Value:

0.25%	0.030	MG/Yr
-------	-------	-------

Customer metering inaccuracies:
Systematic data handling errors:

7	10.574	MG/Yr
10	0.001	MG/Yr

5.00%		MG/Yr
0.25%	0.001	MG/Yr

Apparent Losses: 10.605 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 63.559 MG/Yr

WATER LOSSES: 74.164 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 75.278 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:
Number of active AND inactive service connections:
Service connection density:

7	67.0	miles
7	3,313	
	49	conn./mile main

Are customer meters typically located at the curbside or property line?

Yes

Average length of customer service line:

ft

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

Average operating pressure:

7	150.0	psi
---	-------	-----

COST DATA

Total annual cost of operating water system:
Customer retail unit cost (applied to Apparent Losses):
Variable production cost (applied to Real Losses):

10	\$1,327,451	\$/Year
9	\$6.57	\$/1000 gallons (US)
10	\$2,079.00	\$/Million gallons

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 84 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: Water imported

3: Billed metered

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Unaccounted for Water (Continued)
June 30, 2014



AWWA Free Water Audit Software
System Attributes and Performance Indicators

WAS v5.0
American Water Works Association
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Water Audit Report for: Town of Signal Mountain (0000634)
Reporting Year: 2014 7/2013 - 6/2014

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 84 out of 100 ***

System Attributes:

Apparent Losses:	10.605	MG/Yr
+ Real Losses:	63.559	MG/Yr
= Water Losses:	74.164	MG/Yr
Unavoidable Annual Real Losses (UARL):	47.05	MG/Yr
Annual cost of Apparent Losses:	\$69,676	
Annual cost of Real Losses:	\$132,139	Valued at Variable Production Cost
		Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	27.3%	Real Losses valued at Variable Production Cost
		Non-revenue water as percent by cost of operating system:	15.4%	
Operational Efficiency :	{	Apparent Losses per service connection per day:	8.77 gallons/connection/day	
		Real Losses per service connection per day:	52.56 gallons/connection/day	
		Real Losses per length of main per day*:	N/A	
		Real Losses per service connection per day per psi pressure:	0.35 gallons/connection/day/psi	
From Above, Real Losses = Current Annual Real Losses (CARL):			63.56 million gallons/year	
Infrastructure Leakage Index (ILI) [CARL/UARL]:			1.35	

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

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Miscellaneous Supplementary Information
June 30, 2014

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, 2014	357
Value of permits issued during year ended June 30, 2014	\$15,637,259

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, 2014	3,312
Storage capacity, gallons	2,000,000

Current water rates are as follows:

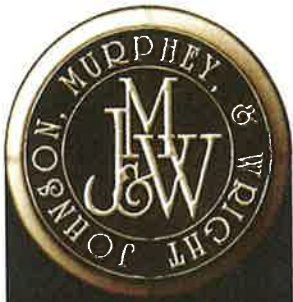
Inside Town Limits

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, 2014, 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 12, 2014.

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 14-1, 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 12, 2014

Johnson, Murphy & Wright, P.C.

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Findings and Responses
June 30, 2014

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 14-1 - Cash receipts

Criteria:

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

Condition:

Proper controls were not in place to verify the cash collections at the Hodgepodge and at the swimming pool.

Cause:

Procedures are not in place through prenumbered receipts/tickets or a cash register to verify the amounts collected from entrance and concession fees.

Effect:

Without proper procedures in place, the Town cannot verify that all municipal funds are properly deposited.

Management's Response:

We concur. For all cash generating events, Town staff will be required to follow cash control procedures as outlined by the Town Manager and Finance Department.

TOWN OF SIGNAL MOUNTAIN, TENNESSEE
Schedule of Prior Audit Findings
June 30, 2014

INTERNAL CONTROL:

Finding 13-1 - Approvals and documentation
Corrected.