

Financial Statements

TOWN OF SPRING CITY, TENNESSEE

Year Ended June 30, 2015

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Mayor and Board of Commissioners
Town of Spring City, Tennessee
Spring City, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Spring City, Tennessee as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Spring City, Tennessee'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 the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 of America. 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 auditors' 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 auditors consider internal control relevant to the 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 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 opinion.

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, and each major fund of Town of Spring City, Tennessee, as of June 30, 2015, the respective changes in its financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the general fund, the state street aid fund and the drug enforcement fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note L to the financial statements, Town of Spring City, Tennessee has restated its net position as of June 30, 2014 to implement Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 10 and the schedule of changes in net pension liability(asset) on page 59 and the schedule of pension contributions on page 60 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 operation, 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Town of Spring City, Tennessee's financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedules of investments, property taxes receivable, long-term debt requirements and expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedules of investments, property taxes receivable, long-term debt requirements and expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

The schedules of utility rates and metered customers, water utility reporting worksheet, water utility performance indicators, and principal officials have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2016, on our consideration of Town of Spring City, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Spring City, Tennessee's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mitchell Emert + Hill". The signature is written in a cursive, flowing style.

April 7, 2016

Town of Spring City
P.O. BOX 369 SPRING CITY, TENNESSEE 37831
PHONE (423) 365-6441 FAX (423) 365-6002

Management's Discussion and Analysis
For the Year Ended June 30, 2015

The management of Town of Spring City, Tennessee (the Town) presents this management's discussion and analysis (MD&A) of the Town's financial condition and results of operations for the fiscal year ended June 30, 2015. This information should be read in conjunction with the accompanying financial statements.

This MD&A also presents an overview of the Town and the water and sewer fund, known as the primary government. The government-wide financial statements include only the primary government which is the total reporting entity.

Financial Highlights

The following are key financial highlights:

- The assets of the Town were more than its liabilities at June 30, 2015 by \$9,304,390 (\$9,535,174 in 2014).
- The Town's net position increased by \$31,232 during the year ended June 30, 2015 (\$279,059 in 2014).
- At June 30, 2015 the Town's governmental funds reported combined ending fund balances of \$1,536,268; a decrease of \$26,481 for the year ended June 30, 2015. At June 30, 2014 the Town's governmental funds reported combined ending fund balances of \$1,562,749; a decrease of \$98,509 for the year ended June 30, 2014. As of June 30, 2015 \$1,221,134 (\$1,248,693 in 2014) of governmental fund balances is unassigned and available for ongoing operations.
- At June 30, 2015 the unassigned general fund balance was \$1,221,134 (\$1,248,693 in 2014) or 75 percent (54 percent in 2014) of general fund expenditures. These unassigned fund balances demonstrate the Town's fiscal discipline and will help meet unexpected emergencies and other uncertainties the Town may face during the course of everyday operations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of 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.

Government-Wide Financial Statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all the Town's assets and liabilities with the difference between the two reported as *net position*. Over time, increases or decreases in net position may service as a useful indicator of whether the financial position of the Town is improving or deteriorating. The *statement of activities* presents information showing how the Town'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 the related cash flows*. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements report functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities). The governmental activities of the Town include the following:

- General government
- Public safety
- Public welfare
- Solid waste management
- Streets and highways

The business-type activities of the Town include water and sewer services provided by the water and sewer fund.

The government-wide financial statements can be found on pages 11 to 13 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, 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 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. Because the focus of the 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 Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statement of revenue, expenditures and changes in fund balances for the general fund, state street aid fund and the drug enforcement fund, all of which are considered to be major funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for all major funds and are presented on pages 19 to 28.

Proprietary Funds - Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The Town maintains one type of proprietary fund - enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town has one enterprise fund to account for water distribution and sewer collections.

The Town's enterprise fund, the water and sewer fund, is a major fund and is reported separately in the government-wide and fund financial statements. The proprietary fund financial statements are presented on pages 29 to 34 in the basic financial statements.

Notes to the Financial Statements - The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Internal Control and Compliance Section - This includes the auditors' report on the Town's internal controls and compliance.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2015 the Town's net position was \$9,304,390 (\$9,535,174 in 2014).

By far, the largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, water and sewer facilities, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services; consequently, these assets are *not* available for future spending. Although the investment in 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 long-term debt.

At June 30 the Town's statement of net position consisted of the following:

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets	\$ 3,384,054	\$ 3,449,523
Capital assets, net of accumulated depreciation	<u>12,254,103</u>	<u>12,490,498</u>
	15,638,154	15,940,021
 DEFERRED OUTFLOW OF RESOURCES		
Deferred outflow related to pension	<u>85,309</u>	<u>0</u>
	<u>\$ 15,723,462</u>	<u>\$ 15,940,021</u>

	<u>2015</u>	<u>2014</u>
LIABILITIES		
Current liabilities	\$ 421,559	\$ 482,301
Noncurrent liabilities:	5,342,948	5,560,908
Other liabilities	<u>100,927</u>	<u>0</u>
	5,865,435	6,043,209
 DEFERRED INFLOWS OF RESOURCES		
Deferred tax revenue	380,875	361,640
Deferred inflow related to pension	<u>172,763</u>	<u>0</u>
	553,638	361,640
 NET POSITION		
Net investment in capital assets	6,695,131	6,713,559
Restricted	231,371	210,493
Unrestricted	<u>2,377,888</u>	<u>2,611,121</u>
	<u>9,304,390</u>	<u>9,535,174</u>
	<u>\$ 15,723,462</u>	<u>\$ 15,940,021</u>

A portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position may be used to meet the obligations to employees and creditors and to help fund next year's budget.

Following is a summary of financial activities for the Town during the fiscal year:

	<u>2015</u>	<u>2014</u>
REVENUE		
Program Revenue:		
Fees, fines and charges for services	\$ 1,720,219	\$ 1,722,597
Operating grants and contributions	76,017	81,406
Capital grants and contributions	60,432	542,066
General Revenue:		
Local taxes	919,709	851,489
Intergovernmental	258,320	231,748
Miscellaneous	10,666	8,433
Investment income	<u>4,183</u>	<u>4,886</u>
	3,049,546	3,442,625
 EXPENSES		
General government	395,748	395,543
Public safety	582,832	583,565
Highways and streets	238,658	261,619
Solid waste management	135,783	146,716
Public welfare	182,022	214,154
Water and sewer	<u>1,483,269</u>	<u>1,561,965</u>
	<u>3,018,311</u>	<u>3,163,561</u>

	<u>2015</u>	<u>2014</u>
Increase in net position	31,232	279,059
Net position at the beginning of the year	9,535,174	9,256,115
Prior period adjustment	<u>(262,016)</u>	<u>0</u>
Net position at the end of the year	<u>\$ 9,304,390</u>	<u>\$ 9,535,174</u>

Governmental Activities - For the year ended June 30, 2015, governmental activities increased the Town's net position by \$86,120 (decreased by \$92,353 in 2014). The difference in the current year's results compared to the previous year is due primarily to decreased capital outlays and debt service.

The Town's main sources of revenue are from property tax, local option sales tax, local and state-shared taxes which consist of tax revenue shared by the State of Tennessee.

Business-Type Activities - For the year ended June 30, 2015, business-type activities decreased the Town's net position by \$54,887 (increased by \$371,415 in 2014). The difference in the current year's result compared to the previous year is due primarily to the decrease in capital grant proceeds.

Capital Assets

The Town's investment in capital assets as of June 30, 2015 was \$12,254,103 (\$12,490,498 in 2014) net of accumulated depreciation.

	<u>2015</u>	<u>2014</u>
Land	\$ 273,750	\$ 273,750
Construction in process	183,091	0
Operating equipment	391,405	391,405
Buildings	1,154,512	1,154,512
Plant	15,439,499	15,439,499
Vehicles	832,780	740,873
Office machinery and equipment	54,012	40,711
Infrastructure	284,531	284,531
Accumulated depreciation	<u>(6,359,477)</u>	<u>(5,834,782)</u>
	<u>\$ 12,254,103</u>	<u>\$ 12,490,498</u>

The major capital asset additions during the year ended June 30, 2015 were due to the following:

Machinery and equipment	\$ 13,301
Vehicles	<u>91,907</u>
	<u>\$ 105,208</u>

Debt Administration

At June 30, 2015 the Town's proprietary fund had outstanding debt of \$4,929,997 (\$5,097,457 in 2014) consisting of the following:

	<u>2015</u>	<u>2014</u>
Rural Development Utilities loans	\$ 2,605,294	\$ 2,645,933
Water and sewer revenue and tax bonds	358,823	364,207
General obligation bond	<u>1,965,880</u>	<u>2,087,317</u>
Total debt-principal	4,929,997	5,097,457
Less: current portion due	<u>(167,796)</u>	<u>(166,023)</u>
Total long-term debt-principal	<u>\$ 4,762,201</u>	<u>\$ 4,931,434</u>

During the year ended June 30, 2015, the Town retired \$166,023 (\$1,546,361 in 2014) of its proprietary fund debt.

At June 30, 2015 the Town's governmental funds had outstanding debt of \$628,974 (\$679,472 in 2014) consisting of the following:

	<u>2015</u>	<u>2014</u>
General obligation bond	\$ 628,974	\$ 679,472
Less: current portion due	<u>(50,000)</u>	<u>(50,000)</u>
Total long-term debt-principal	<u>\$ 578,974</u>	<u>\$ 629,472</u>

During the year ended June 30, 2015, the Town retired \$50,000 (\$508,544 in 2014) of its governmental funds' debt.

Financial Analysis of the Town's Funds

As previously discussed, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Town'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's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The general fund's fund balance decreased by \$47,358 during the year ended June 30, 2015 (\$92,110 in 2014).

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position for the water and sewer fund for the year ended June 30, 2015 was \$1,077,327 (\$1,163,763 in 2014), which is 16% (17% in 2014) of total net position of the water and sewer fund.

General Fund Budgetary Highlights

There were no significant changes between original budgeted revenue or expenditures and the final amended budgeted revenue or expenditures for the state street aid fund or the drug enforcement fund.

During the year ended June 30, 2015, final amended budgeted expenditures of the general fund increased approximately \$184,000 from original budgeted expenditures due to salaries, capital additions and repair and maintenance expenses.

Economic Factors and Next Year's Budgets and Rates

The Board of Commissioners approved the budget for the year ending June 30, 2016. The estimated revenue and appropriations did not vary significantly from the budget for the year ended June 30, 2015.

Requests for Information

This MD&A and accompanying financial statements and notes are designed to provide our citizens, employees, creditors and regulatory agencies with an overview of the Town's finances. If you have any questions or need additional information, you may contact:

Stephania Motes, City Manager
Town of Spring City, Tennessee
P.O. Box 369
Spring City, TN 37381
Telephone 423-365-6441

TOWN OF SPRING CITY, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash	\$ 898,143	\$ 1,514,589	\$ 2,412,733
Certificates of deposit	59,472	50,680	110,153
Accounts receivable, net of allowance for uncollectible accounts	0	109,913	109,913
Property taxes receivable, net of allowance for uncollectible accounts	446,151	0	446,151
Other taxes receivable	92,410	0	92,410
Due from other governments	60,731	1,010	61,741
Internal balances	618,795	(618,795)	0
Interest receivable	1,353	199	1,553
Other receivable	0	59,637	59,637
Materials and supplies	0	50,390	50,390
Prepaid expenses	18,076	21,297	39,373
Capital assets not being depreciated	232,700	224,141	456,841
Capital assets being depreciated, net of accumulated depreciation	<u>1,599,917</u>	<u>10,197,344</u>	<u>11,797,262</u>
	4,027,748	11,610,406	15,638,154
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflow related to pension	<u>57,261</u>	<u>28,048</u>	<u>85,309</u>
	<u>\$ 4,085,009</u>	<u>\$ 11,638,453</u>	<u>\$ 15,723,462</u>

See the accompanying notes to the financial statements.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
LIABILITIES			
Accounts payable	\$ 41,582	\$ 38,317	\$ 79,898
Accrued salaries	14,608	8,442	23,050
Interest payable	0	2,565	2,565
Sales tax payable	100,023	0	100,023
Current portion of long-term debt	50,000	167,796	217,796
Long-term debt, net of current portion	578,974	4,762,201	5,341,175
Net pension liability	<u>67,621</u>	<u>33,306</u>	<u>100,927</u>
	852,808	5,012,627	5,865,435
DEFERRED INFLOWS OF RESOURCES			
Deferred tax revenue	380,875	0	380,875
Deferred inflow related to pension	<u>115,751</u>	<u>57,012</u>	<u>172,763</u>
	496,626	57,012	553,638
NET POSITION			
Net investment in capital assets	1,203,643	5,491,488	6,695,131
Restricted:			
Drug enforcement	13,422	0	13,422
Street improvement	35,446	0	35,446
Flood repairs	181,503	0	181,503
Tourism	1,000	0	1,000
Unrestricted	<u>1,300,561</u>	<u>1,077,327</u>	<u>2,377,888</u>
	<u>2,735,575</u>	<u>6,568,815</u>	<u>9,304,390</u>
	<u>\$ 4,085,009</u>	<u>\$ 11,638,453</u>	<u>\$ 15,723,462</u>

TOWN OF SPRING CITY, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

	Expenses	Fee, Fines and Charges for Services	Program Revenue Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 395,748	\$ 29,655	\$ 0	\$ 0
Public safety	582,832	146,569	1,059	0
Public welfare	182,022	5,915	18,615	0
Streets and highways	238,658	0	56,343	0
Solid waste management	135,783	172,924	0	0
Total governmental activities	1,535,043	355,064	76,017	0
Business-Type Activities:				
Water and sewer	1,483,269	1,365,155	0	60,432
	\$ 3,018,311	\$ 1,720,219	\$ 76,017	\$ 60,432

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (366,093)	\$ 0	\$ (366,093)
(435,203)	0	(435,203)
(157,492)	0	(157,492)
(182,315)	0	(182,315)
37,141	0	37,141
(1,103,962)	0	(1,103,962)
0	(57,683)	(57,683)
<u>\$ (1,103,962)</u>	<u>\$ (57,683)</u>	<u>\$ (1,161,645)</u>

TOWN OF SPRING CITY, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2015

NET (EXPENSE)REVENUE FROM PROGRAM ACTIVITIES

General Revenue:

Taxes:

Property taxes

In-Lieu of tax payments

Local sales tax

Business taxes

Franchise taxes

Wholesale beer taxes

Intergovernmental

Investment earnings

Miscellaneous

Total general revenue

CHANGES IN NET POSITION

NET POSITION AT THE BEGINNING OF THE YEAR, as restated

NET POSITION AT THE END OF THE YEAR

See the accompanying notes to the financial statements.

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (1,103,962)	\$ (57,683)	\$ (1,161,645)
372,362	0	372,362
289	0	289
467,288	0	467,288
20,372	0	20,372
11,241	0	11,241
48,157	0	48,157
258,320	0	258,320
1,386	2,797	4,183
10,666	0	10,666
1,190,082	2,797	1,192,877
86,120	(54,887)	31,232
2,649,454	6,623,702	9,273,158
\$ 2,735,575	\$ 6,568,815	\$ 9,304,390

TOWN OF SPRING CITY, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2015

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Enforcement Fund</u>	<u>Totals</u>
ASSETS				
Cash	\$ 879,285	\$ 5,437	\$ 13,422	\$ 898,143
Certificates of deposit	59,472	0	0	59,472
Property taxes receivable (net of allowance for uncollectible accounts of \$2,000)	446,151	0	0	446,151
Other taxes receivable	92,410	0	0	92,410
Due from other governments	51,147	9,584	0	60,731
Interest receivable	1,353	0	0	1,353
Prepaid expenses	18,076	0	0	18,076
Due from other funds	<u>618,266</u>	<u>25,362</u>	<u>0</u>	<u>643,629</u>
 TOTAL ASSETS	 <u>\$ 2,166,161</u>	 <u>\$ 40,383</u>	 <u>\$ 13,422</u>	 <u>\$ 2,219,966</u>

See the accompanying notes to the financial statements.

	General Fund	State Street Aid Fund	Drug Enforcement Fund	Totals
LIABILITIES				
Accounts payable	\$ 34,267	\$ 0	\$ 0	\$ 34,267
Accrued salaries	14,608	0	0	14,608
Sales tax payable	100,023	0	0	100,023
Due to other governments	7,315	0	0	7,315
Due to other funds	<u>24,835</u>	<u>0</u>	<u>0</u>	<u>24,835</u>
TOTAL LIABILITIES	181,047	0	0	181,047
DEFERRED INFLOWS OF RESOURCES				
Deferred tax revenue	497,711	4,937	0	502,648
FUND BALANCES				
Nonspendable	18,076	0	0	18,076
Restricted	182,503	35,446	13,422	231,371
Committed	49,489	0	0	49,489
Assigned	16,200	0	0	16,200
Unassigned	<u>1,221,134</u>	<u>0</u>	<u>0</u>	<u>1,221,134</u>
TOTAL FUND BALANCES	<u>1,487,400</u>	<u>35,446</u>	<u>13,422</u>	<u>1,536,268</u>
	<u>\$ 2,166,161</u>	<u>\$ 40,383</u>	<u>\$ 13,422</u>	<u>\$ 2,219,966</u>

TOWN OF SPRING CITY, TENNESSEE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2015

Total Fund Balance - Governmental Funds	\$ 1,536,268
Capital assets used in governmental activities are reported in the statement of net position; however, they are not current financial resources and therefore are not reported in the governmental funds balance sheet.	1,832,616
Some of the Town's taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures; therefore, they are reported as deferred revenue in the governmental funds balance sheet.	121,773
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	(628,974)
Net pension assets and liabilities, and the related deferred outflows and deferred inflows, are reported in the statement of net position; however, they are current financial resources; therefore, they are not reported in the governmental funds balance sheet.	
Net pension liability	(67,621)
Deferred outflow of resources	57,261
Deferred inflow of resources	<u>(115,751)</u>
Net Position of Governmental Activities	<u>\$ 2,735,575</u>

See the accompanying notes to the financial statements.

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

Year Ended June 30, 2015

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Enforcement Fund</u>	<u>Totals</u>
REVENUE				
Taxes:				
Property taxes	\$ 342,584	\$ 0	\$ 0	\$ 342,584
Interest and penalty	4,404	0	0	4,404
In-lieu of tax payments	289	0	0	289
Local sales tax	467,052	0	0	467,052
Business tax	20,413	0	0	20,413
Franchise tax	11,241	0	0	11,241
Wholesale beer tax	48,157	0	0	48,157
Intergovernmental	261,576	51,948	0	313,524
Licenses and permits	2,038	0	0	2,038
Receipts for use of facilities	25,400	0	0	25,400
Charges for services	178,319	0	0	178,319
Fines and forfeitures	140,624	0	5,945	146,569
Donations	19,674	0	0	19,674
Investment earnings	1,372	14	0	1,386
Miscellaneous	13,436	0	0	13,436
	<u>1,536,580</u>	<u>51,962</u>	<u>5,945</u>	<u>1,594,488</u>
TOTAL REVENUE				
EXPENDITURES				
Current:				
General government	391,614	0	0	391,614
Public safety	576,666	0	633	577,299
Public welfare	129,634	0	0	129,634
Streets and highways	176,119	36,397	0	212,516
Solid waste management	136,195	0	0	136,195
Debt service	68,503	0	0	68,503
Capital outlay	105,208	0	0	105,208
	<u>1,583,938</u>	<u>36,397</u>	<u>633</u>	<u>1,620,968</u>
TOTAL EXPENDITURES				

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

(continued)

Year Ended June 30, 2015

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Enforcement Fund</u>	<u>Totals</u>
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES	(47,358)	15,565	5,312	(26,481)
FUND BALANCES AT THE BEGINNING OF THE YEAR	<u>1,534,759</u>	<u>19,880</u>	<u>8,110</u>	<u>1,562,749</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 1,487,400</u>	<u>\$ 35,446</u>	<u>\$ 13,422</u>	<u>\$ 1,536,268</u>

See the accompanying notes to the financial statements.

TOWN OF SPRING CITY, TENNESSEE

**RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2015

Deficiency of Revenue Over Expenditures - Governmental Funds	\$ (26,481)
<p>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.</p>	
Acquisition of capital assets	105,208
Depreciation expense	(119,219)
<p>Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.</p>	50,000
<p>Retirement contributions made after the actuarial measurement date are an expenditure in the governmental funds, but increase deferred outflows for governmental activities.</p>	57,261
<p>Some expenses 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:</p>	
Pension expense	(7,823)
<p>Amortization of bond premium is an expenditure in the governmental funds, but decreases debt obligations for governmental activities</p>	499
<p>Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental fund financial statements:</p>	
Deferred tax revenue - June 30, 2014	(95,098)
Deferred tax revenue - June 30, 2015	<u>121,773</u>
Change in Net Position of Governmental Activities	<u>\$ 86,120</u>

See the accompanying notes to the financial statements.

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Taxes:				
Property taxes	\$ 344,555	\$ 356,555	\$ 342,584	\$ (13,971)
Interest and penalty	3,500	4,500	4,404	(96)
In-Lieu of tax payments	1,200	1,500	289	(1,211)
Local sales tax	410,000	455,000	467,052	12,052
Business tax	30,000	30,000	20,413	(9,587)
Franchise tax	12,000	12,000	11,241	(759)
Wholesale beer tax	65,000	65,000	48,157	(16,843)
	<u>866,255</u>	<u>924,555</u>	<u>894,141</u>	<u>(30,414)</u>
Intergovernmental:				
TVA In-Lieu of tax of payments	63,000	66,000	64,942	1,058
Telecommunications tax	0	0	196	196
State income tax	22,000	24,500	31,384	6,884
State gas inspection	7,800	7,900	4,042	(3,858)
State beer tax	2,700	2,700	2,255	(445)
State sales tax	125,000	152,632	149,157	(3,475)
State law enforcement	4,800	10,000	9,600	(400)
	<u>225,300</u>	<u>263,732</u>	<u>261,576</u>	<u>(2,156)</u>
Licenses and permits:				
Beer licenses	750	850	600	(250)
Building permits	1,400	1,400	1,138	(263)
Other licenses and permits	50	300	300	0
	<u>2,200</u>	<u>2,550</u>	<u>2,038</u>	<u>(513)</u>
Receipts for use of facilities:				
Rents and concessions	25,200	25,400	25,400	0

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2015

	Budget		Actual	Variance
	Original	Final		Over (Under)
Charges for services:				
Accident report charges	2,150	2,550	2,204	(346)
Parks and recreation	1,800	2,000	2,000	0
Library fees	5,000	5,000	3,915	(1,085)
Garbage collection fees	166,867	166,867	170,199	3,332
	<u>175,817</u>	<u>176,417</u>	<u>178,319</u>	<u>1,902</u>
Fines and forfeitures	108,600	144,610	140,624	(3,986)
Other revenue:				
Donations	17,200	95,264	19,674	(75,590)
Interest	1,530	1,530	1,372	(158)
Miscellaneous	10,500	16,725	13,436	(3,289)
	<u>29,230</u>	<u>113,519</u>	<u>34,482</u>	<u>(79,037)</u>
TOTAL REVENUE	1,432,602	1,650,783	1,536,580	(114,203)
EXPENDITURES				
City Manager's office:				
Salaries and wages	99,498	99,498	104,192	4,694
Payroll taxes	7,627	7,627	8,659	1,032
Health insurance	67,218	67,218	54,130	(13,089)
Retirement	8,744	8,744	9,161	417
Workers' compensation	791	791	1,011	220
Unemployment insurance	426	426	240	186
Employee training	1,450	1,450	2,067	617
Registration fees	750	750	572	(178)
Telephone	1,000	1,000	966	(34)
Professional services	27,400	27,400	26,111	(1,290)
Contractual services	25,000	25,000	33,134	8,134
State planning office	6,750	6,750	6,750	0

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
City Manager's office (continued):				
Repairs and maintenance	1,250	1,250	693	(557)
Travel	250	250	0	(250)
Insurance	44,554	44,554	31,324	(13,230)
Advertising	4,250	4,250	2,847	(1,403)
Office supplies	4,100	4,100	7,216	3,116
	<u>301,058</u>	<u>301,058</u>	<u>289,072</u>	<u>(11,986)</u>
Board of Commissioners:				
Salaries and wages	27,300	27,300	26,952	(348)
Payroll taxes	2,050	2,050	2,011	(39)
Workers' compensation	139	139	211	72
Employee training	850	850	1,191	341
Travel	150	150	0	(150)
Donations	3,500	3,500	7,052	3,552
Office supplies	700	700	792	92
Public relations	10,000	10,000	7,496	(2,504)
	<u>44,689</u>	<u>44,689</u>	<u>45,706</u>	<u>1,017</u>
Government buildings:				
Utilities	15,900	16,437	16,304	(133)
Telephone	7,500	8,830	8,792	(38)
Repairs and maintenance	9,500	8,807	6,259	(2,548)
Land rental	2,000	2,000	1,237	(763)
Liability insurance	800	800	888	88
Small equipment	500	213	175	(38)
Operating supplies	1,900	1,759	1,688	(71)
	<u>38,100</u>	<u>38,846</u>	<u>35,343</u>	<u>(3,504)</u>

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	Variance Over (Under)
	<u>Original</u>	<u>Final</u>		
City court:				
Salaries and wages	14,978	14,978	12,844	(2,134)
Payroll taxes	1,112	1,112	1,171	59
Health insurance	1,678	1,678	1,556	(122)
Retirement	902	902	770	(132)
Unemployment insurance	55	55	71	16
Workers' compensation	14	14	86	72
Employee training	200	200	13	(187)
Professional services	2,400	2,400	1,800	(600)
Operating supplies	4,000	4,000	2,703	(1,297)
Office supplies	650	650	481	(169)
	<u>25,989</u>	<u>25,989</u>	<u>21,494</u>	<u>(4,495)</u>
Police department:				
Salaries and wages	313,262	335,442	334,470	(972)
Payroll taxes	24,925	24,398	27,820	3,422
Health insurance	34,192	39,187	20,128	(19,059)
Workers' compensation	10,862	15,961	15,961	0
Retirement	28,574	28,857	29,802	945
Unemployment insurance	1,141	901	901	0
Employee training	2,000	1,839	1,839	0
Office expense	2,300	1,870	1,869	(1)
Telephone	3,500	3,209	3,209	0
Medical services	400	219	219	0
Dispatching	30,000	46,040	55,032	8,992
Repairs and maintenance	36,992	36,760	28,999	(7,761)
Travel	1,800	673	673	0
Uniforms	2,500	2,448	2,448	0
Operating supplies	1,100	1,748	4,728	2,980
Equipment	2,200	5,108	5,108	0
	<u>495,748</u>	<u>544,660</u>	<u>533,205</u>	<u>(11,455)</u>

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Fire department:				
Salaries and wages	11,050	9,600	9,600	0
Payroll taxes	478	412	612	200
Retirement	29	193	184	(9)
Memberships	425	275	275	0
Workers' compensation	610	1,354	1,354	0
Public relations	1,300	1,129	1,129	0
Utilities	3,800	4,344	4,344	0
Telephone	1,700	1,811	1,811	0
Repairs and maintenance	4,550	3,905	3,813	(92)
Small equipment	4,400	4,347	4,347	0
Professional services	3,400	11,558	14,284	2,726
Uniforms	1,000	549	549	0
Training	1,750	1,159	1,159	0
	<u>34,492</u>	<u>40,636</u>	<u>43,460</u>	<u>2,824</u>
Highways and streets:				
Salaries and wages	67,375	67,712	67,219	(493)
Payroll taxes	5,177	5,009	6,009	1,000
Health insurance	8,531	7,580	7,567	(13)
Retirement	5,935	5,908	5,908	0
Workers' compensation	4,991	3,684	3,684	0
Unemployment insurance	411	180	180	0
Utilities	2,000	2,060	2,060	0
Telephone	800	696	531	(165)
Small equipment	2,000	929	929	1
Repairs and maintenance	40,765	80,337	78,965	(1,372)
Operating supplies	1,950	1,525	1,435	(90)
Uniforms	1,000	1,492	1,633	141
	<u>140,935</u>	<u>177,112</u>	<u>176,119</u>	<u>(993)</u>

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2015

	Budget		Actual	Variance
	Original	Final		Over (Under)
Parks and recreation:				
Salaries and wages	27,478	27,478	26,781	(697)
Payroll taxes	2,026	2,026	2,165	139
Health insurance	4,265	4,265	4,111	(154)
Retirement	2,322	2,322	2,354	32
Workers' compensation	895	895	1,180	285
Unemployment insurance	59	59	90	31
Public relations	5,000	5,000	8,172	3,172
Utilities	4,000	4,000	3,819	(181)
Repairs and maintenance	18,950	18,950	11,320	(7,630)
Operating supplies	2,550	2,550	4,636	2,086
Miscellaneous	750	750	591	(159)
	<u>68,295</u>	<u>68,295</u>	<u>65,219</u>	<u>(3,076)</u>
Library:				
Salaries and wages	33,904	33,904	32,900	(1,004)
Payroll taxes	2,546	2,546	2,817	271
Health insurance	4,265	4,265	3,215	(1,050)
Retirement	1,824	1,824	1,830	6
Workers' compensation	200	200	191	(9)
Unemployment insurance	200	200	211	11
Utilities	5,500	5,500	5,348	(152)
Telephone	1,400	1,400	1,807	407
Repairs and maintenance	100	100	71	(29)
Publicity	610	610	1,381	771
Operating supplies	7,506	7,506	8,475	969
Other operating supplies	0	0	4,722	4,722
Miscellaneous	200	200	0	(200)
Building insurance	1,300	1,300	1,449	149
	<u>59,555</u>	<u>59,555</u>	<u>64,416</u>	<u>4,861</u>

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Solid waste management:				
Salaries and wages	80,935	80,935	82,981	2,046
Payroll taxes	6,134	6,134	6,330	196
Health insurance	8,601	8,601	12,749	4,148
Retirement	7,032	7,032	7,293	261
Workers' compensation	4,800	4,800	7,186	2,386
Unemployment insurance	300	300	270	(30)
Professional services	5,470	5,470	5,210	(260)
Supplies	3,000	3,000	1,792	(1,208)
Repairs and maintenance	48,000	48,000	10,272	(37,728)
Uniforms	2,500	2,500	2,112	(388)
	<u>166,772</u>	<u>166,772</u>	<u>136,195</u>	<u>(30,577)</u>
Capital outlay:				
General government	13,301	13,301	13,301	0
Police department	0	91,907	91,907	0
	<u>13,301</u>	<u>105,208</u>	<u>105,208</u>	<u>0</u>
Debt service:				
Principal	0	0	50,000	50,000
Interest	43,668	43,668	18,503	(25,166)
	<u>43,668</u>	<u>43,668</u>	<u>68,503</u>	<u>24,835</u>

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
TOTAL EXPENDITURES	<u>1,432,602</u>	<u>1,616,488</u>	<u>1,583,938</u>	<u>(32,550)</u>
EXCESS(DEFICIENCY) OF REVENUE OVER EXPENDITURES	0	34,295	(47,358)	(81,653)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>1,534,759</u>	<u>1,534,759</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 34,295</u>	<u>\$ 1,487,400</u>	<u>\$ 1,453,105</u>

See the accompanying notes to the financial statements.

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
STATE STREET AID FUND**

Year Ended June 30, 2015

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Intergovernmental	\$ 60,825	\$ 61,281	\$ 51,948	\$ (9,333)
Interest	<u>10</u>	<u>10</u>	<u>14</u>	<u>4</u>
TOTAL REVENUE	<u>60,835</u>	<u>61,291</u>	<u>51,962</u>	<u>(9,329)</u>
EXPENDITURES				
Roads and streets	0	3,890	3,890	0
Utilities	<u>36,000</u>	<u>32,566</u>	<u>32,506</u>	<u>(60)</u>
TOTAL EXPENDITURES	<u>36,000</u>	<u>36,456</u>	<u>36,397</u>	<u>(59)</u>
EXCESS OF REVENUE OVER EXPENDITURES	24,835	24,835	15,565	(9,270)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>19,880</u>	<u>19,880</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 24,835</u>	<u>\$ 24,835</u>	<u>\$ 35,446</u>	<u>\$ 10,611</u>

See the accompanying notes to the financial statements.

TOWN OF SPRING CITY, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
DRUG ENFORCEMENT FUND**

Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Drug related fines	\$ 1,650	\$ 1,650	\$ 5,945	\$ 4,295
EXPENDITURES				
Supplies	<u>500</u>	<u>500</u>	<u>633</u>	<u>133</u>
EXCESS OF REVENUE OVER EXPENDITURES	1,150	1,150	5,312	4,162
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>8,110</u>	<u>8,110</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 1,150</u>	<u>\$ 1,150</u>	<u>\$ 13,422</u>	<u>\$ 12,272</u>

See the accompanying notes to the financial statements.

TOWN OF SPRING CITY, TENNESSEE

STATEMENT OF NET POSITION
WATER AND SEWER FUND

June 30, 2015

CURRENT ASSETS

Cash		\$ 1,514,589
Certificates of deposit		50,680
Accounts receivable, net of allowance for uncollectible accounts of \$2,000		109,913
Other receivables		60,847
Prepaid insurance		21,297
Materials and supplies		<u>50,390</u>
		1,807,716

CAPITAL ASSETS

Land	\$ 41,049	
Construction in progress	183,091	
Equipment	111,664	
Office furniture and equipment	19,659	
Utility plant	<u>15,439,499</u>	
	15,794,962	
Accumulated depreciation	<u>(5,373,477)</u>	10,421,485

DEFERRED OUTFLOW OF RESOURCES

Deferred outflow related to pension		<u>28,048</u>
		<u>\$ 12,257,248</u>

See the accompanying notes to the financial statements.

CURRENT LIABILITIES

Accounts payable	\$	38,317	
Accrued salaries		8,442	
Accrued interest		2,565	
Due to other funds		618,795	
Net pension liability		33,306	
Current portion of long-term debt		<u>167,796</u>	
			869,221

LONG-TERM DEBT,

net of current portion			4,762,201
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DEFERRED INFLOW OF RESOURCES

Deferred inflow related to pension			57,012
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NET POSITION

Net investment in capital assets	\$	5,491,488	
Unrestricted		<u>1,077,327</u>	<u>6,568,815</u>

\$ 12,257,248

TOWN OF SPRING CITY, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
WATER AND SEWER FUND

Year Ended June 30, 2015

OPERATING REVENUE

Charges for services	\$ 1,360,919
Other operating revenue	<u>4,235</u>

TOTAL OPERATING REVENUE 1,365,155

OPERATING EXPENSES

Water purification:

Salaries	\$ 84,436	
Payroll taxes	6,609	
Hospital and health insurance	17,591	
Retirement	3,853	
Workers' compensation	8,248	
Unemployment insurance	260	
Utilities	35,777	
Telephone	1,625	
Professional services	21,352	
Advertising	2,136	
Repairs and maintenance	30,513	
Small equipment	29,922	
Chemicals	16,113	
Operating supplies	1,970	
Liability and property insurance	16,731	
Clothing and uniforms	<u>426</u>	277,562

Water transmission and collection:

Salaries	82,626	
Payroll taxes	6,073	
Hospital and health insurance	12,756	
Workers' compensation	5,122	
Unemployment insurance	270	
Repairs and maintenance	53,116	
Utilities	3,799	
Operating supplies	15,953	
Clothing and uniforms	1,949	
Professional services	<u>1,149</u>	182,813

TOWN OF SPRING CITY, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
WATER AND SEWER FUND

(continued)

Year Ended June 30, 2015

Sewer treatment and disposal:

Salaries	75,607	
Payroll taxes	5,790	
Unemployment insurance	195	
Utilities	32,178	
Telephone	6,414	
Professional services	27,641	
Repairs and maintenance	36,962	
Chemicals	30,512	
Operating supplies	3,942	
Clothing and uniforms	1,238	
Training and travel	1,310	
Liability and property insurance	13,699	
Maintenance fee	<u>14,502</u>	249,990

Sewer rehabilitation:

Salaries	76,873	
Payroll taxes	5,684	
Hospital and health insurance	10,413	
Workers' compensation	5,848	
Unemployment insurance	309	
Repairs and maintenance	10,230	
Operating supplies	2,968	
Clothing and uniforms	<u>1,611</u>	113,936

General and administration:

Salaries	27,149	
Payroll taxes	2,038	
Hospital and health insurance	3,150	
Unemployment insurance	90	
Workers' compensation	64	

TOWN OF SPRING CITY, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
WATER AND SEWER FUND

(continued)

Year Ended June 30, 2015

General and administration (continued):		
Training	810	
Fees	3,808	
Postage	6,549	
Office supplies	4,351	
Professional services	<u>27,651</u>	75,661
Depreciation		<u>405,476</u>
	TOTAL OPERATING EXPENSES	<u>1,305,438</u>
	INCOME FROM OPERATIONS	59,716
NONOPERATING REVENUE(EXPENSE)		
Interest income	2,797	
Interest expense	<u>(177,832)</u>	<u>(175,035)</u>
	(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(115,319)
	CAPITAL CONTRIBUTIONS	<u>60,432</u>
	CHANGE IN NET POSITION	(54,887)
	NET POSITION AT THE BEGINNING OF THE YEAR	<u>6,623,702</u>
	NET POSITION AT THE END OF THE YEAR	<u>\$ 6,568,815</u>

See the accompanying notes to the financial statements.

TOWN OF SPRING CITY, TENNESSEE

STATEMENT OF CASH FLOWS
WATER AND SEWER FUND

Year Ended June 30, 2015

**CASH PROVIDED(USED) BY
OPERATING ACTIVITIES**

Cash received from customers	\$ 1,385,461
Cash paid to suppliers	(334,176)
Cash paid to employees	<u>(346,691)</u>

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

704,594

**CASH PROVIDED(USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES**

Acquisition of capital assets	\$ (183,091)
Capital contribution	140,985
Principal payments on long-term debt	(166,023)
Interest paid on debt	<u>(179,270)</u>

**NET CASH (USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES**

(387,399)

**CASH PROVIDED(USED) BY
INVESTING ACTIVITIES**

Interest received	2,797
Increase in certificate of deposit	<u>(672)</u>

**NET CASH PROVIDED BY
INVESTING ACTIVITIES**

2,125

NET INCREASE IN CASH

319,320

**CASH AND CASH EQUIVALENTS
AT THE BEGINNING OF THE YEAR**

1,195,270

**CASH AND CASH EQUIVALENTS
AT THE END OF THE YEAR**

\$ 1,514,589

TOWN OF SPRING CITY, TENNESSEE

STATEMENT OF CASH FLOWS
WATER AND SEWER FUND

(continued)

Year Ended June 30, 2015

**RECONCILIATION OF INCOME
FROM OPERATIONS TO NET CASH
PROVIDED(USED) BY OPERATING ACTIVITIES**

Income from operations		\$	59,716
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Depreciation	\$	405,476	
Retirement contributions		(28,048)	
Pension expense		3,853	
Decrease in:			
Accounts receivable		20,307	
Increase(decrease) in:			
Accounts payable		(68,491)	
Due to other funds		311,780	
		<u>311,780</u>	<u>644,878</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES			<u>\$ 704,594</u>

See the accompanying notes to the financial statements.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE A - DESCRIPTION OF ORGANIZATION

Town of Spring City, Tennessee (the Town) was incorporated under Chapter 41 of the Private Acts of 1917, as amended by Chapter 6 of Tennessee Code Annotated in 1980. The Town operates under the City Manager - Commission form of government and provides the following services as authorized by its charter: public safety (police and fire), public works, water and sewer utilities, public library, culture and recreation, and general administrative services.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town, for financial reporting purposes, includes all funds relevant to the operations of Town of Spring City, Tennessee. The financial statements presented herein do not include agencies that have been formed under applicable state laws, or separate and distinct units of government apart from the Town. As of June 30, 2015 and for the year then ended, the Town had no discretely presented component units which were required to be included in these financial statements.

Government-wide and fund financial statements

The government-wide financial statements, which consist of the statement of net position and the statement of activities report information on all of the nonfiduciary activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Measurement Focus, Basis of Accounting and Basis of Presentation

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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. 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 eligible requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenue to be available if it is collected within 30 days of the end of the current fiscal period. Property taxes are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to claims and judgments, are recorded only when the payment is due.

All trade receivables are shown net of an allowance for uncollectible accounts. Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. In Tennessee, this date is January 1, and is referred to as the lien date. Revenue from property taxes, however, is recognized in the period for which the taxes are levied, which for the Town is October 1 of the ensuing fiscal year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes, is reported as deferred revenue in the fund financial statements and unearned revenue in the government-wide financial statements as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied and uncollected during the current fiscal year as well as the previous eight fiscal years. These property tax receivables are presented on the general fund balance sheet with offsetting deferred revenue to reflect the amounts not available as of June 30. Property taxes collected within 60 days of year-end are considered available and are accrued as revenue. Property taxes collected later than 60 days after year-end are not considered available and are accrued and reported as deferred revenue. An allowance for uncollectible taxes is also recorded representing the estimated amount of delinquent taxes receivable that will be filed with the Rhea County Chancery Court for collection.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

The Town reports the following major governmental funds:

The *general fund* 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.

The *state street aid fund* is used to account for the Town's share of motor fuel tax revenue that is legally restricted to the maintenance of streets within the Town's boundaries.

The *drug enforcement fund* is used to account for costs associated with drug investigation and control and officers' training.

The Town reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the water and sewer departments, which operate and maintain a water distribution and sewer collection system for residents and businesses on a user charge basis.

All activities necessary to provide these services are accounted for in such a manner as to show profit or loss similar to comparable private enterprises.

The Town had no internal service funds or fiduciary funds as of or for the year ended June 30, 2015.

Proprietary fund financial statements include a statement of net position, a statement of revenue, expenses and changes in net position and a statement of cash flows for each major proprietary fund. Proprietary funds are accounts for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the statement of net position. The statement of revenue, expenses, and changes in net position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Town's proprietary funds is charges to customers for sales and services. The Town also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary 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 nonoperating revenue and expenses.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Town's water and sewer function, and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenue reported in the various functions concerned.

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting reporting purposes into the following three net position groups:

Net investment in capital assets

This category includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Net investment in capital assets at June 30, 2015 has been calculated as follows:

Governmental activities:

Capital assets	\$ 2,818,617
Accumulated depreciation	(986,000)
Principal balance on long-term debt	<u>(628,974)</u>
	<u>\$ 1,203,643</u>

Business-Type activities:

Water and Sewer Fund:	
Capital assets	\$ 15,794,962
Accumulated depreciation	(5,373,477)
Principal balance on long-term debt	<u>(4,929,997)</u>
	<u>\$ 5,491,488</u>

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Restricted

This category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the Town pursuant to those stipulations or that expire by the passage of time. Net position of the drug enforcement fund is classified as restricted net position because its use is limited to drug enforcement. Net position of the state street aid fund is classified as restricted net position because its use is limited to street improvements. A portion of the net position of the general fund is restricted for cleaning the Piney Creek area and for promoting tourism. 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 they are needed.

Unrestricted

This category includes net position that is not subject to externally imposed stipulations and that does not meet the definition of "restricted" or "net investment in capital assets". Unrestricted net position may be designated for specific purposes by action of management or the Board of Commissioners or may otherwise be limited by contractual agreements with outside parties.

Fund Balances

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 for prepaid expenses or 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.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Committed Fund Balance

Fund balances reported as committed in the accompanying financial statements represent amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Board of Commissioners commits resources for specific purposes by passing ordinances.

Assigned Fund Balance

Fund balances reported as assigned in the accompanying financial statements represent amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by the Board of Commissioners.

Unassigned Fund Balance

In accordance with generally accepted accounting principles, the general fund is the only fund of 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.

The Town would typically use restricted resources first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Budgets and Budgetary Accounting

The Board of Commissioners is required to adopt, by ordinance, total budget appropriations by line item for all funds. The Town's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP). All budget amendments must be approved by the Board of Commissioners. Unused appropriations lapse at the end of the year.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns on the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Materials and Supplies

Materials and supplies of the proprietary fund are valued at the lower of cost (determined on a first-in, first-out basis) or market. The cost of inventory items of the governmental fund types (primarily materials and supplies) are recorded as expenditures when purchased.

Compensated Absences

Town employees are granted vacation and sick leave in varying amounts based on years of employment, and may accumulate a maximum of one year's vacation leave and 720 hours sick leave. In the event of termination, the employee is paid for any unused vacation leave. The Town's policies do not provide for an employee to be paid for any unused sick leave in the event of termination.

Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Accumulated vacation leave of the proprietary fund is recorded as an expense and liability of the fund as the benefits accrue to the employees. No liability is recorded for accumulated sick leave.

Property Taxes

Property taxes are levied on October 1, and are due and payable at that time. Taxes become delinquent and begin accumulating interest and penalties the following March 1, and attach as an enforceable lien on property after one year of delinquency.

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts receivable and taxes receivable is provided based upon historical trends. The allowances for uncollectible accounts at June 30, 2015, were as follows:

Governmental funds	\$ 2,000
Proprietary fund	2,000

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

NOTE C - CASH AND INVESTMENTS

Investments that have maturities of three months or less at the date of purchase are classified as cash equivalents. Cash and investments are stated at cost, which approximates market value. Carrying amounts at June 30, 2015 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Cash on hand	\$ 300	\$ 0	\$ 300
Bank deposits (checking and savings accounts)	897,843	1,514,589	2,412,432
Certificates of deposit	<u>59,472</u>	<u>50,680</u>	<u>110,153</u>
Total	<u>\$ 957,615</u>	<u>\$ 1,565,269</u>	<u>\$ 2,522,884</u>

State of Tennessee law authorizes the Town to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchases agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All cash balances at June 30, 2015 were entirely insured through the Federal Deposit Insurance Corporation, the State of Tennessee Bank Collateral Pool, or collateralized with securities held by the Town's agent in the Town's name.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Amounts due from and due to other funds at June 30, 2015 are summarized as follows:

<u>Due To</u>	<u>Due From</u>		<u>Totals</u>
	<u>General Fund</u>	<u>Water and Sewer Fund</u>	
Governmental Activities:			
General fund	\$ 0	\$ 618,795	\$ 618,795
State street aid fund	<u>25,362</u>	<u>0</u>	<u>25,362</u>
Totals	<u>\$ 25,362</u>	<u>\$ 618,795</u>	<u>\$ 644,157</u>

Charges to customers for services provided by the general fund are billed and collected by the water and sewer fund. Periodically, the water and sewer fund pays the general fund for their share of customer billings. Additionally, during the year, some expenditures were paid by the general fund on behalf of the water and sewer fund. The amount owed to the state street aid fund by the general fund represents state shared revenue for street improvements.

Subsequent to June 30, 2015, all amounts owed were paid in full.

NOTE E - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Tennessee Municipal League Risk Management Pool (the Pool) and pays an annual premium to the Pool for its workers' compensation and general liability coverage, destruction of property and employee dishonesty bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows the Pool to make additional assessments or refund surplus revenue to the Town. It is not possible to estimate the amount of such additional assessments or refunds.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

NOTE F - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>7/1/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/15</u>
Governmental Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 232,700	\$ 0	\$ 0	\$ 232,700
<u>Capital assets being depreciated</u>				
Operating equipment	279,741	0	0	279,741
Office equipment	21,052	13,301	0	34,353
Vehicles	740,873	91,907	0	832,780
Infrastructure	284,531	0	0	284,531
Buildings and improvements	<u>1,154,512</u>	<u>0</u>	<u>0</u>	<u>1,154,512</u>
	2,480,709	105,208	0	2,585,917
<u>Accumulated depreciation</u>				
Operating equipment	(215,114)	(19,980)	0	(235,094)
Office equipment	(12,313)	(2,806)	0	(15,119)
Vehicles	(362,626)	(47,052)	0	(409,678)
Infrastructure	(3,648)	(7,296)	0	(10,943)
Buildings and improvements	<u>(273,080)</u>	<u>(42,086)</u>	<u>0</u>	<u>(315,166)</u>
	<u>(866,781)</u>	<u>(119,219)</u>	<u>0</u>	<u>(986,000)</u>
	<u>\$ 1,846,627</u>	<u>\$ (14,011)</u>	<u>\$ 0</u>	<u>\$ 1,832,616</u>

Depreciation expense is charged to the various governmental functions as follows:

General government	\$ 12,708
Public safety	31,386
Public welfare	37,996
Streets and highways	31,244
Solid waste management	<u>5,885</u>
	<u>\$ 119,219</u>

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

	<u>Balance</u> <u>7/1/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/15</u>
Business-Type Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 41,049	\$ 0	\$ 0	\$ 41,049
Construction in process	<u>0</u>	<u>183,091</u>	<u>0</u>	<u>183,091</u>
	41,049	183,091	0	224,140
<u>Capital assets being depreciated</u>				
Office equipment	19,659	0	0	19,659
Operating equipment	111,664	0	0	111,664
Utility plant	<u>15,439,499</u>	<u>0</u>	<u>0</u>	<u>15,439,499</u>
	15,570,822	0	0	15,570,822
<u>Accumulated depreciation</u>				
Office equipment	(19,658)	0	0	(19,658)
Operating equipment	(76,184)	(4,223)	0	(80,406)
Utility plant	<u>(4,872,158)</u>	<u>(401,254)</u>	<u>0</u>	<u>(5,273,412)</u>
	<u>(4,968,001)</u>	<u>(405,476)</u>	<u>0</u>	<u>(5,373,477)</u>
	<u>\$ 10,643,870</u>	<u>\$ (222,385)</u>	<u>\$ 0</u>	<u>\$ 10,421,485</u>

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

NOTE G - PENSION PLAN

Plan Description

Employees of the Town are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than .5%. A 1% COLA is granted if the CPI change is between .5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Employees Covered by Benefit Terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	38
Active employees	<u>28</u>
	<u>78</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. The Town makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015 employer contributions for the Town were \$85,309 based on a rate of 8.77% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Town's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The Town's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Actuarial assumptions

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3%. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5% based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Town will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Changes in Net Pension Liability (Asset)

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability(Asset) <u>(a) – (b)</u>
Changes for the year ended June 30, 2014:			
Increase(decrease)			
Service cost	\$ 65,092		\$ 65,092
Interest	152,542		152,542
Differences between expected and actual experience	(55,995)		(55,995)
Contributions - employer		\$ 77,878	(77,878)
Contributions - employees		43,362	(43,362)
Net investment income		280,412	(280,412)
Benefit payments, including refunds of employee contributions	(81,799)	(81,799)	0
Administrative expense		<u>(1,048)</u>	<u>1,048</u>
Net changes for the year ended June 30, 2014	79,840	318,805	(238,965)
Balances at June 30, 2013	<u>2,009,693</u>	<u>1,669,801</u>	<u>339,892</u>
Balances at June 30, 2014	<u>\$ 2,089,533</u>	<u>\$ 1,988,606</u>	<u>\$ 100,927</u>

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Town calculated using the discount rate of 7.5%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease <u>6.5%</u>	Current Discount Rate <u>7.5%</u>	1% Increase <u>8.5%</u>
Net pension liability(asset)	\$ 392,248	\$ 100,927	\$ (138,311)

Pension Expense

For the year ended June 30, 2015, the Town recognized pension expense of \$11,676.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 49,773
Net difference between projected and actual earnings on pension plan investments	0	122,990
Contributions subsequent to the measurement date of June 30, 2014	<u>85,309</u>	<u>not applicable</u>
Totals	<u>\$ 85,309</u>	<u>\$ 172,763</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:

2016	\$ (36,969)
2017	(36,969)
2018	(36,969)
2019	(36,969)
2020	(6,222)
Thereafter	(18,666)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2015, the Town reported a payable of \$8,635 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

NOTE H - LONG-TERM DEBT

Long-term debt at June 30, 2015 consisted of the following:

Governmental Activities:

General obligation bond, Series 2013, interest rate of 3.1% maturing serially in numerical sequence on December 1 of each year through 2030, including issue premium of \$9,472	\$ 628,974
Less current maturities	<u>(50,000)</u>
	<u>\$ 578,974</u>

Business-Type Activities:

General obligation bond, Series 2013, interest rate of 3.1% maturing serially in numerical sequence on December 1 of each year through 2033, including issue premium of \$25,880	\$ 1,965,880
Rural Development Utilities Loan, Taxable Sewer System Revenue and Tax Deficiency Bond Series 2014, payable in monthly installments of \$2,195 until maturity in 2054	625,290
Water and Sewer Revenue and Tax Bonds, Series 2008, payable in 456 monthly installments of \$1,759, including interest at 4.38% until maturity in 2046	358,823
Rural Development Utilities Loan, Taxable Sewer System Revenue and Tax Deficiency Bond Series 2006, payable in monthly installments of \$9,505, including interest at 4.125% until maturity in 2046	<u>1,980,004</u>
	4,929,997
Less current maturities	<u>(167,796)</u>
	<u>\$ 4,762,201</u>

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Maturities of long-term debt as of June 30, 2015 are as follows:

Governmental Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 50,000	\$ 17,503	\$ 67,503
2017	50,000	16,503	66,503
2018	55,000	15,503	70,503
2019	55,000	14,403	69,403
2020	55,000	13,165	68,165
2021	55,000	11,900	66,900
2022	55,000	10,388	65,388
2023	60,000	8,738	68,738
2024	50,000	6,863	56,863
2025	20,000	5,175	25,175
2026	20,000	4,500	24,500
2027	20,000	3,750	23,750
2028	25,000	3,000	28,000
2029	25,000	2,000	27,000
2030	<u>25,000</u>	<u>1,000</u>	<u>26,000</u>
	<u>\$ 620,000</u>	<u>\$ 134,387</u>	<u>\$ 754,387</u>

Business-Type Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 167,796	\$ 175,097	\$ 342,893
2017	169,737	170,756	340,493
2018	171,709	166,384	338,093
2019	173,761	161,932	335,693
2020	175,852	157,141	332,993
2021	157,596	152,637	310,233
2022	160,426	147,057	307,483

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Business-Type Activities (continued):

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	162,832	141,651	304,483
2024	165,294	136,064	301,358
2025	167,938	130,044	297,983
2026	170,648	123,960	294,608
2027	173,468	117,390	290,858
2028	175,574	111,534	287,108
2029	183,726	104,382	288,108
2030	187,637	96,271	283,908
2031	195,946	88,762	284,708
2032	199,357	80,951	280,308
2033	202,973	72,935	275,908
2034	96,703	64,805	161,508
2035	100,587	60,921	161,508
2036	103,600	57,908	161,508
2037	108,834	52,674	161,508
2038	113,213	48,295	161,508
2039	117,772	43,736	161,508
2040	122,493	39,015	161,508
2041	127,454	34,054	161,508
2042	132,596	28,912	161,508
2043	137,949	23,559	161,508
2044	143,504	18,004	161,508
2045	149,322	12,186	161,508
2046	107,782	6,485	114,266
2047	21,650	4,690	26,340
2048	22,243	4,097	26,340
2049	22,874	3,466	26,340
2050	23,513	2,828	26,340
2051	24,167	2,173	26,340
2052	24,837	1,503	26,340
2053	25,533	807	26,340
2054	15,225	140	15,365
	<u>\$ 4,904,117</u>	<u>\$ 2,845,206</u>	<u>\$ 7,749,324</u>

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Changes in long-term debt for the year ended June 30, 2015 were as follows:

	<u>Balance</u> <u>7/1/14</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/15</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
General obligation bond	\$ 670,000	\$ 0	\$ 50,000	\$ 620,000	\$ 50,000
	<u>\$ 670,000</u>	<u>\$ 0</u>	<u>\$ 50,000</u>	<u>\$ 620,000</u>	<u>\$ 50,000</u>
<u>Business-Type Activities:</u>					
Revenue and tax bonds	\$ 364,207	\$ 0	\$ 5,384	\$ 358,823	\$ 5,624
Rural Development					
Utilities Loan 2006	2,011,657	0	31,653	1,980,004	32,983
Rural Development					
Utilities Loan 2014	634,276	0	8,986	625,290	9,189
General obligation bond	<u>2,060,000</u>	<u>0</u>	<u>120,000</u>	<u>1,940,000</u>	<u>120,000</u>
	<u>\$ 5,070,140</u>	<u>\$ 0</u>	<u>\$ 166,023</u>	<u>\$ 4,904,117</u>	<u>\$ 167,796</u>

Interest costs incurred for the year ended June 30, 2015 were \$18,503 for governmental activities and \$177,832 for business-type activities, all of which were charged to expense.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

NOTE I - JOINT VENTURE

The Town entered into a joint venture agreement with Rhea County, Tennessee as of December 22, 1999 for the purpose of developing an industrial park. The Town and Rhea County, Tennessee have an equal interest in the venture's assets, liabilities, and equity. In March 2000, the joint venture issued capital outlay notes in the amount of \$205,000 and purchased 108.5 acres of land for the industrial park. Assets and liabilities related to the joint venture are included in the financial statements of Rhea County, Tennessee.

NOTE J - COMMITMENTS AND CONTINGENCIES

Sales Tax Payable

The State of Tennessee shares certain tax revenue, including sales tax, with municipalities based on the tax collected within the municipal boundaries. The Town received \$448,125 of state and local option sales tax during the year ended June 30, 2001. Subsequent to that date, the State of Tennessee notified the Town that, due to errors in tax returns filed by a taxpayer during the year, the Town was overpaid and would be required to repay the excess sales tax. A liability, in the amount of \$100,023, is reported in the accompanying financial statements.

Sewer Construction

The Tennessee Department of Environment and Conservation Water Quality Control Board (TDEC) determined that the Town violated the terms of its National Pollution Discharge Elimination System (NPDES) permit by discharging wastewater effluent from its sewer treatment plant. In connection therewith, the TDEC issued an Agreed Order requiring the Town to complete an evaluation of the Town's sewer collection and treatment system and prepare a Corrective Action Plan that details all actions necessary to bring the treatment system into compliance with the NPDES permit. The Agreed Order provided for a civil penalty of \$1,312 to be paid upon receipt of the order, plus additional penalties up to \$72,000 if the provisions of the order are not complied within a timely fashion. The Town's Corrective Action Plan has been approved by TDEC.

NOTE K - EXPENDITURES EXCEEDED APPROPRIATIONS

During the year ended June 30, 2015, expenditures of the drug enforcement fund exceeded appropriations by \$133.

TOWN OF SPRING CITY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

NOTE L - RESTATEMENT

During the year ended June 30, 2015, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as an asset or liability and to more comprehensively and comparably measure the annual costs of pension benefits.

Net position as of July 1, 2014 has been restated as follows:

Governmental Activities:

Balance, June 30, 2014, as originally reported	\$ 2,825,005
Net pension liability, measurement date as of June 30, 2013	(227,728)
Deferred outflows for contributions made during the year ended June 30, 2014	<u>52,178</u>
Balance, June 30, 2014, as restated	<u>\$ 2,649,454</u>

Business-type Activities:

Balance, June 30, 2014, as originally reported	\$ 6,710,167
Net pension liability, measurement date as of June 30, 2013	(112,164)
Deferred outflows for contributions made during the year ended June 30, 2014	<u>25,700</u>
Balance, June 30, 2014, as restated	<u>\$ 6,623,702</u>

There was no effect on beginning fund balances related to the implementation of GASB Statement No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SPRING CITY, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)

June 30, 2015

	Measurement Date at <u>June 30, 2014</u>
<u>Total pension liability</u>	
Service cost	\$ 65,092
Interest	152,542
Changes in benefit terms	-
Differences between actual and expected experience	(55,995)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(81,799)</u>
Net change in total pension liability	79,840
Total pension liability - beginning July 1, 2013	<u>2,009,693</u>
Total pension liability - ending June 30, 2014 (a)	<u>2,089,533</u>
 <u>Plan fiduciary net position</u>	
Contributions - employer	77,878
Contributions - employee	43,362
Net investment income	280,412
Benefit payments, including refunds of employee contributions	(81,799)
Administrative expense	<u>(1,048)</u>
Net change in plan fiduciary net position	318,805
Plan fiduciary net position - beginning July 1, 2013	<u>1,669,801</u>
Plan fiduciary net position - ending June 30, 2014 (b)	<u>1,988,606</u>
 Net Pension Liability(Asset) - ending (a) - (b)	 <u>\$ 100,927</u>
 Plan fiduciary net position as a percentage of total net pension liability	 95.17%
 Covered employee payroll	 \$ 867,236
 Net pension liability(asset) as a percentage of covered employee payroll	 11.64%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See the accompanying independent accountants' audit report.

TOWN OF SPRING CITY, TENNESSEE

PENSION CONTRIBUTIONS

June 30, 2015

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 85,309	\$ 77,878
Contributions in relation to the actuarially determined contribution	<u>(85,309)</u>	<u>(77,878)</u>
Contribution deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 959,870	\$ 867,236
Contributions as a percentage of covered employee payroll	8.77%	8.98%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Pension Contributions

Valuation date: Actuarially determined contribution rates for the year ended June 30, 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	3 years
Asset valuation	10-year smoothed within a 20% corridor to market value
Inflation	3.00%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment Rate of Return	7.50%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.50%

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF SPRING CITY, TENNESSEE

INVESTMENTS

June 30, 2015

	<u>Interest Rate</u>	<u>Amount</u>
<u>General Fund - Certificates of Deposit</u>		
SouthEast Bank & Trust #1110643	1.00%	\$ 15,102
First Bank of Tennessee #18897	0.50	13,500
First Bank of Tennessee #309581	0.45	<u>30,870</u>
		<u>\$ 59,472</u>
<u>Water and Sewer Fund - Certificate of Deposit</u>		
First Bank of Tennessee #100269	0.60	<u>\$ 50,680</u>

See the accompanying independent accountants' audit report.

TOWN OF SPRING CITY, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2015

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2014</u>
2015	\$.96	\$ 39,675,374	\$ 380,875	\$ 0
2014	.96	37,671,906	361,640	361,640
2013	.96	40,538,569	389,153	28,309
2012	.96	35,223,593	338,136	6,701
2011	.96	33,938,701	325,805	3,880
2010	.96	34,293,565	329,211	2,419
2009	1.19	33,898,318	330,550	1,137
2008	1.19	27,752,262	330,251	0
2007	1.19	26,763,064	318,474	0
2006	1.19	26,332,567	313,354	0
2005	1.19	26,043,393	309,922	0
				<u>\$ 404,086</u>

Property taxes unpaid for 2008 through 2013 have been filed with the Rhea County Chancery Court.

See the accompanying independent accountants' audit report.

<u>Taxes Levied</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Balance June 30, 2015</u>
\$ 380,875	\$ 0	\$ 0	\$ 380,875
0	3,275	335,459	29,456
0	0	5,925	22,384
0	0	616	6,085
0	0	584	3,296
0	2,016	0	4,435
0	483	0	1,620
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 380,875</u>	<u>\$ 5,774</u>	<u>\$ 342,584</u>	<u>\$ 448,151</u>

TOWN OF SPRING CITY, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
General Obligation Bond, Series 2013			
Year ending June 30,			
2016	\$ 50,000	\$ 17,503	\$ 67,503
2017	50,000	16,503	66,503
2018	55,000	15,503	70,503
2019	55,000	14,403	69,403
2020	55,000	13,165	68,165
2021	55,000	11,900	66,900
2022	55,000	10,388	65,388
2023	60,000	8,738	68,738
2024	50,000	6,863	56,863
2025	20,000	5,175	25,175
2026	20,000	4,500	24,500
2027	20,000	3,750	23,750
2028	25,000	3,000	28,000
2029	25,000	2,000	27,000
2030	25,000	1,000	26,000
	<u>\$ 620,000</u>	<u>\$ 134,391</u>	<u>\$ 754,391</u>

TOWN OF SPRING CITY, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Business-Type Activities:</u>			
Water and Sewer Revenue and Tax Bonds, Series 2006			
Year ending June 30,			
2016	\$ 32,983	\$ 81,077	\$ 114,060
2017	34,370	79,690	114,060
2018	35,815	78,245	114,060
2019	37,321	76,739	114,060
2020	38,889	75,171	114,060
2021	40,524	73,536	114,060
2022	42,228	71,832	114,060
2023	44,003	70,057	114,060
2024	45,853	68,207	114,060
2025	47,781	66,279	114,060
2026	49,789	64,271	114,060
2027	51,882	62,178	114,060
2028	54,063	59,997	114,060
2029	56,336	57,724	114,060
2030	58,704	55,356	114,060
2031	61,172	52,888	114,060
2032	63,744	50,316	114,060
2033	66,424	47,636	114,060
2034	69,216	44,844	114,060
2035	72,126	41,934	114,060
2036	75,158	38,902	114,060
2037	78,317	35,743	114,060
2038	81,610	32,450	114,060
2039	85,041	29,019	114,060

TOWN OF SPRING CITY, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Water and Sewer Revenue and Tax Bonds, Series 2006 (continued)			
2040	88,616	25,444	114,060
2041	92,341	21,719	114,060
2042	96,223	17,837	114,060
2043	100,268	13,792	114,060
2044	104,483	9,577	114,060
2045	108,875	5,185	114,060
2046	<u>65,848</u>	<u>925</u>	<u>66,773</u>
	<u>\$ 1,980,003</u>	<u>\$ 1,508,569</u>	<u>\$ 3,488,573</u>

Water and Sewer Revenue and
Tax Bonds, Series 2008

Year ending June 30,

2016	\$ 5,624	\$ 15,484	\$ 21,108
2017	5,875	15,233	21,108
2018	6,137	14,971	21,108
2019	6,411	14,697	21,108
2020	6,697	14,411	21,108
2021	6,476	14,632	21,108
2022	7,309	13,799	21,108
2023	7,635	13,473	21,108
2024	7,976	13,132	21,108
2025	8,332	12,776	21,108
2026	8,703	12,405	21,108

TOWN OF SPRING CITY, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Water and Sewer Revenue and Tax Bonds, Series 2008 (continued)			
2027	9,092	12,016	21,108
2028	8,705	12,403	21,108
2029	9,190	11,918	21,108
2030	10,365	10,743	21,108
2031	10,827	10,281	21,108
2032	11,311	9,797	21,108
2033	11,816	9,292	21,108
2034	12,343	8,765	21,108
2035	12,894	8,214	21,108
2036	12,469	8,639	21,108
2037	14,071	7,037	21,108
2038	14,699	6,409	21,108
2039	15,355	5,753	21,108
2040	16,040	5,068	21,108
2041	16,756	4,352	21,108
2042	17,504	3,604	21,108
2043	18,286	2,822	21,108
2044	19,102	2,006	21,108
2045	19,955	1,153	21,108
2046	20,970	283	21,253
	<u>\$ 358,923</u>	<u>\$ 295,568</u>	<u>\$ 654,493</u>

TOWN OF SPRING CITY, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Bond, Series 2013			
Year ending June 30,			
2016	\$ 120,000	\$ 61,385	\$ 181,385
2017	120,000	58,985	178,985
2018	120,000	56,585	176,585
2019	120,000	54,185	174,185
2020	120,000	51,485	171,485
2021	100,000	48,725	148,725
2022	100,000	45,975	145,975
2023	100,000	42,975	142,975
2024	100,000	39,850	139,850
2025	100,000	36,475	136,475
2026	100,000	33,100	133,100
2027	100,000	29,350	129,350
2028	100,000	25,600	125,600
2029	105,000	21,600	126,600
2030	105,000	17,400	122,400
2031	110,000	13,200	123,200
2032	110,000	8,800	118,800
2033	110,000	4,400	114,400
	<u>\$ 1,940,000</u>	<u>\$ 650,075</u>	<u>\$ 2,590,075</u>

TOWN OF SPRING CITY, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Rural Development Utilities Loan, Taxable Sewer System Revenue and Tax Deficiency Bond Series 2014			
Year ending June 30,			
2016	\$ 9,189	\$ 17,151	\$ 26,340
2017	9,492	16,848	26,340
2018	9,757	16,583	26,340
2019	10,029	16,311	26,340
2020	10,265	16,075	26,340
2021	10,595	15,745	26,340
2022	10,890	15,450	26,340
2023	11,194	15,146	26,340
2024	11,465	14,875	26,340
2025	11,826	14,514	26,340
2026	12,155	14,185	26,340
2027	12,494	13,846	26,340
2028	12,806	13,534	26,340
2029	13,200	13,140	26,340
2030	13,568	12,772	26,340
2031	13,946	12,394	26,340
2032	14,302	12,038	26,340
2033	14,734	11,606	26,340
2034	15,144	11,196	26,340
2035	15,567	10,773	26,340
2036	15,973	10,367	26,340
2037	16,446	9,894	26,340

TOWN OF SPRING CITY, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Rural Development Utilities Loan, Taxable Sewer System Revenue and Tax Deficiency Bond Series 2014 (continued)			
2038	16,904	9,436	26,340
2039	17,376	8,964	26,340
2040	17,837	8,503	26,340
2041	18,357	7,983	26,340
2042	18,869	7,471	26,340
2043	19,395	6,945	26,340
2044	19,919	6,421	26,340
2045	20,492	5,848	26,340
2046	21,063	5,277	26,340
2047	21,650	4,690	26,340
2048	22,243	4,097	26,340
2049	22,874	3,466	26,340
2050	23,512	2,828	26,340
2051	24,167	2,173	26,340
2052	24,837	1,503	26,340
2053	25,533	807	26,340
2054	15,225	140	15,365
	<u>\$ 625,290</u>	<u>\$ 390,995</u>	<u>\$ 1,016,285</u>

See the accompanying independent accountants' audit report.

TOWN OF SPRING CITY, TENNESSEE

EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
U.S. Department of Transportation/ Tennessee Department of Transportation	20.607	Z-14-GHS-324	\$ 7,698
U.S. Department of Agriculture/ Rural Development	10.760	N/A	<u>60,432</u>
			<u>\$ 68,130</u>

NOTE 1 - BASIS OF PRESENTATION

This schedule summarizes the expenditures of Town of Spring City, Tennessee under programs of the federal government for the year ended June 30, 2015. The schedule is presented using the modified accrual basis of accounting.

See the accompanying independent accountants' audit report.

TOWN OF SPRING CITY, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

June 30, 2015

WATER

Utility Rates

Inside Town limits:

First 2,000 gallons (minimum billing)	\$ 20.29
Over 2,000 gallons (per thousand)	7.59

Outside Town limits:

First 2,000 gallons (minimum billing)	27.54
Over 2,000 gallons (per thousand)	9.63

Wholesale

First 4.5 million gallons (per thousand)	2.06
Over 4.5 million gallons (per thousand)	2.59

Sprinkler rates:

First 2,000 gallons (minimum billing)	34.42
Over 2,000 gallons (per thousand)	7.59

SEWER

Inside Town limits:

First 3,000 gallons (minimum billing)	\$ 34.42
Over 3,000 gallons (per thousand)	6.48

Outside Town limits:

First 3,000 gallons (minimum billing)	40.16
Over 3,000 gallons (per thousand)	5.17

TOWN OF SPRING CITY, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

(continued)

June 30, 2015

SOLID WASTE

Inside Town limits:

Residential	\$ 12.60
Commercial	37.20

(Additional pick ups will be \$12.00 per receptacle per pick up)

Outside Town limits:

Residential	18.00
Commercial	48.00

(Additional pick ups will be \$12.00 per receptacle per pick up)

METERED CUSTOMERS

Water	1,034
Solid Waste	896
Sewer	807

See the accompanying independent accountants' audit report.

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association
Copyright © 2014. All Rights Reserved

Water Audit Report for: **TOWN OF SPRING CITY (0000656)**
Reporting Year: **2014-2015** 7/2014 - 6/2015

Please enter data in the white cells below. Where available, measured values should be used; if measured values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

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

To select the correct data grading for each input, determine the highest grade here the utility meets or exceeds all criteria for that grade and all grades below it.

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

WATER SUPPLIED

Volume from own sources:	<input type="button" value="+"/> <input type="button" value="8"/>	<input type="text" value="116.337"/>	MG/Yr	<input type="button" value="+"/> <input type="button" value="3"/>	<input type="text" value="1.00%"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="text"/>	MG/Yr
Water imported:	<input type="button" value="+"/> <input type="button" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr	<input type="button" value="+"/> <input type="button" value=""/>	<input type="text" value=""/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="text"/>	MG/Yr
Water exported:	<input type="button" value="+"/> <input type="button" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr	<input type="button" value="+"/> <input type="button" value=""/>	<input type="text" value=""/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="text"/>	MG/Yr

Master Meter and Supply Error Adjustments

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

WATER SUPPLIED: 115.185 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	<input type="button" value="+"/> <input type="button" value="8"/>	<input type="text" value="55.441"/>	MG/Yr	<input type="button" value="+"/> <input type="button" value=""/>	<input type="text" value=""/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="text"/>	MG/Yr
Billed unmetered:	<input type="button" value="+"/> <input type="button" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr	<input type="button" value="+"/> <input type="button" value=""/>	<input type="text" value=""/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="text"/>	MG/Yr
Unbilled metered:	<input type="button" value="+"/> <input type="button" value="10"/>	<input type="text" value="20.060"/>	MG/Yr	<input type="button" value="+"/> <input type="button" value=""/>	<input type="text" value=""/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="text"/>	MG/Yr
Unbilled unmetered:	<input type="button" value="+"/> <input type="button" value=""/>	<input type="text" value="1.440"/>	MG/Yr	<input type="button" value="+"/> <input type="button" value=""/>	<input type="text" value=""/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="text"/>	MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: 76.941 MG/Yr

Click here: for help using option buttons below

Pcnt: Value:

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption) 38.244 MG/Yr

Apparent Losses

Unauthorized consumption:	<input type="button" value="+"/> <input type="button" value=""/>	<input type="text" value="0.288"/>	MG/Yr	<input type="button" value="+"/> <input type="button" value=""/>	<input type="text" value=""/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="text"/>	MG/Yr
Customer metering inaccuracies:	<input type="button" value="+"/> <input type="button" value="8"/>	<input type="text" value="1.150"/>	MG/Yr	<input type="button" value="+"/> <input type="button" value=""/>	<input type="text" value=""/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="text"/>	MG/Yr
Systematic data handling errors:	<input type="button" value="+"/> <input type="button" value=""/>	<input type="text" value="0.139"/>	MG/Yr	<input type="button" value="+"/> <input type="button" value=""/>	<input type="text" value=""/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="text"/>	MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: 1.576 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **36.668** MG/Yr

WATER LOSSES: 38.244 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **59.744** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	<input type="button" value="+"/> <input type="button" value="5"/>	<input type="text" value="50.0"/>	miles
Number of active AND inactive service connections:	<input type="button" value="+"/> <input type="button" value="8"/>	<input type="text" value="1,100"/>	
Service connection density:	<input type="button" value="?"/> <input type="button" value=""/>	<input type="text" value="22"/>	conn./mile main

Are customer meters typically located at the curbstop or property line? (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line:

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

Average operating pressure: psi

COST DATA

Total annual cost of operating water system:	<input type="button" value="+"/> <input type="button" value="10"/>	<input type="text" value="\$507,381"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="button" value="+"/> <input type="button" value="10"/>	<input type="text" value="\$9.85"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="button" value="+"/> <input type="button" value="10"/>	<input type="text" value="\$385.24"/>	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 82 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: Volume from own sources
- 2: Unauthorized consumption
- 3: Systematic data handling errors

See the accompanying independent accountants' audit report.



Water Audit Report for: **TOWN OF SPRING CITY (0000656)**
Reporting Year: **2014-2015** | **7/2014 - 6/2015**

***** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 82 out of 100 *****

System Attributes:

Apparent Losses:	<input type="text" value="1.576"/>	MG/Yr
+ Real Losses:	<input type="text" value="36.668"/>	MG/Yr
= Water Losses:	<input type="text" value="38.244"/>	MG/Yr

? Unavoidable Annual Real Losses (UARL): MG/Yr

Annual cost of Apparent Losses:

Annual cost of Real Losses: 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:	<input type="text" value="51.9%"/>	
Non-revenue water as percent by cost of operating system:	<input type="text" value="7.5%"/>	Real Losses valued at Variable Production Cost

Operational Efficiency: {

Apparent Losses per service connection per day:	<input type="text" value="3.93"/>	gallons/connection/day
Real Losses per service connection per day:	<input type="text" value="N/A"/>	gallons/connection/day
Real Losses per length of main per day*:	<input type="text" value="2,009.21"/>	gallons/mile/day
Real Losses per service connection per day per psi pressure:	<input type="text" value="N/A"/>	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]:

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

See the accompanying independent accountants' audit report.

TOWN OF SPRING CITY, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2015

Billy Ray Patton, Mayor
Reba Murphy, Vice Mayor
Max Douglas, Commissioner
Jody Bauer, Commissioner
Brad Collins, Commissioner
Missie Lytle, City Recorder, CMFO
Stephanie Motes, City Manager

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

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

Mayor and Board of Commissioners
Town of Spring City, Tennessee
Spring City, 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 of America, the financial statements of the governmental activities, the business-type activities and each major fund of Town of Spring City, Tennessee as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Spring City, Tennessee's basic financial statements, and have issued our report thereon dated April 7, 2016

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings, recommendations and management responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Town of Spring City, Tennessee'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. We consider the deficiency described in the accompanying schedule of findings, recommendations and management responses as item 2015-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Spring City, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of finding, recommendation and management response as item 2015-001.

We noted certain matters that we reported to management of Town of Spring City, Tennessee, in a separate letter dated April 7, 2016

Town of Spring City, Tennessee's Response to Finding

Town of Spring City, Tennessee's response to the finding identified in our audit is described in the accompanying schedule of finding, recommendation and management response. Town of Spring City, 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 the effectiveness of Town of Spring City, Tennessee's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Spring City, Tennessee's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

April 7, 2016

TOWN OF SPRING CITY, TENNESSEE

FINDING, RECOMMENDATION AND MANAGEMENT RESPONSE

Year Ended June 30, 2015

Finding Number 2015-001 – Interfund Loan Balance

Finding: Beginning in the year ended June 30, 2012, the water and sewer fund borrowed from the general fund without promptly repaying and without approval by the Board of Commissioners. The loan balance was \$618,795 as of June 30, 2015. If the loans were intended to be short-term borrowing, the amounts should have been repaid no later than the end of the fiscal year. If the loans were intended to be long-term, they should have been approved by the State of Tennessee Director of State and Local Finance, as required by state law.

Subsequent to June 30, 2015 the loan balance was paid in full.

Recommendation: The Board of Commissioners should monitor all interfund activity, require that proper records are maintained for all interfund activity and ensure that all short-term interfund loan balances of Town of Spring City, Tennessee are repaid by the end of the fiscal year. If interfund loans are made which are to be repaid over a longer period, the approval required by state law should be obtained.

Management Response: We concur. The inter-fund balances were a result of how our payroll is generated through our Local Government accounting system. All liabilities are paid through the General Fund no matter which fund the employee is coded to. However, the other funds (Sanitation and Water/Sewer) pay the General Fund back the amount it is owed. Moving forward all monies owed to the General Fund will be paid back on a timely basis..

TOWN OF SPRING CITY, TENNESSEE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2013-001	Financial Oversight	Corrected
2013-002	Budget	Corrected