

CITY OF SUNBRIGHT, TENNESSEE

**Audited Financial Statements
June 30, 2012**

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CITY OF SUNBRIGHT, TENNESSEE
LIST OF CITY OFFICIALS
JUNE 30, 2012

Mayor Dennis Reagan
Alderman..... Sandra Bailey
Alderman..... Eleanor Hooper
City Recorder/Court Clerk.....Sandra Spurling
Grant Writer/Parks & Recreation..... Haley Terry
SecretaryStephanie Sexton
Chief of Police Allen Dagley
Public Works/Wastewater SupervisorRussell Jones
City JudgeJohn Beaty
City AttorneyMichael Davis



DANIELS, USELTON AND CLAY, P.C.

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Aldermen
City of Sunbright, Tennessee
Sunbright, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Sunbright, Tennessee as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Sunbright's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the City of Sunbright, Tennessee, as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012, on our consideration of the City of Sunbright, Tennessee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sunbright, Tennessee's financial statements as a whole. The other supplementary information as listed in the table of contents and the accompanying schedule of expenditures of federal and state awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information as listed in the table of contents and the schedule of expenditures of federal and state 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. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Uselton - Clay, P.C.

December 17, 2012

**CITY OF SUNBRIGHT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

The City of Sunbright Management's Discussion and Analysis (MD&A) is a supplementary document in addition to, and part of, the municipality's annual audit report. As management of the City of Sunbright, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Sunbright for the fiscal year ended June 30, 2012. This MD&A presents the overview of the City including the Sewer Fund, known as the primary government. The government-wide financial statements include only the primary government which is the total reporting entity. The Governmental Accounting Standards Board (GASB-34) requires that the MD&A be developed by the administration and management of the municipality. The basic services provided by the City are reported in the audit. These are divided into governmental revenues which are principally supported by taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The sewer fund is the City's sole business-type activity. The city has the accounting firm of Daniels, Uelton & Clay, P.C., Kingston, TN, under contract to complete the annual audit of the city's finances. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements. This information should be read in conjunction with the accompanying financial statements.

Financial Highlights and Overview:

The following are key financial highlights:

- The assets of the City exceeded its liabilities by \$1,389,491 in 2012 and by \$1,307,417 in 2011
- The City's net assets increased by \$82,074 in 2012 and by \$38,302 in 2011.
- At 2012, the City's governmental funds reported combined ending fund balances of \$203,205 an increase of \$8,990 from 2011. Of the total fund balances, \$202,164 is unassigned and available for ongoing operations.
- At June 30, 2012, the unreserved general fund balance was \$200,472 or 49% of general fund expenditures. This demonstrates the City's fiscal discipline and will help meet unexpected emergencies and other uncertainties the City may face during the course of everyday operations.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction of the City of Sunbright's basic financial statements. The City of Sunbright's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

CITY OF SUNBRIGHT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

Government-wide Financial Statements:

The Government-wide Financial Statements are designed to provide readers with a broad overview of the City of Sunbright's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-wide Financial Statements distinguish functions of the City of Sunbright that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, highways and streets, and public works. The business-type activities include Sewer services provided by the Sewer Fund.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sunbright, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Sunbright can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds:

Government funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**CITY OF SUNBRIGHT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the State Street Aid Fund, both of which are considered to be major funds.

Proprietary Funds:

Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The City maintains one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City has one enterprise fund to account for sewer collection services. The City's enterprise fund, the Sewer Fund, is a major fund and is reported separately in the government-wide and fund financial statements.

Notes to the Financial Statements:

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

Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Sunbright's budgetary fund balance, noting variances with actual and final budget amounts.

Internal Control and Compliance Section:

This includes the auditor's report on the City's internal controls and compliance.

Government-Wide Financial Analysis:

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. The City's assets exceeded its liabilities by \$1,386,878 and \$1,307,417 during June 30, 2012 and 2011, respectively.

**CITY OF SUNBRIGHT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

By far, the largest portion of the City's net asset reflects its investment in capital assets (e.g., land, buildings, sewer plant facilities, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City 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, 2012 and 2011, the City's statement of net assets consisted of the following:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
ASSETS		
Current assets	\$ 327,895	\$ 275,753
Capital assets, net of accumulated depreciation	<u>1,376,602</u>	<u>1,348,241</u>
Total assets	<u>\$ 1,704,497</u>	<u>\$ 1,623,994</u>
LIABILITIES		
Current liabilities	\$ 141,854	\$ 103,938
Noncurrent liabilities	<u>173,152</u>	<u>212,639</u>
Total liabilities	<u>315,006</u>	<u>316,577</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 1,163,957	\$ 1,096,796
Restricted	1,041	224
Unrestricted	22,329	210,397
Unassigned	<u>202,164</u>	<u>-</u>
Total net assets	<u>1,389,491</u>	<u>1,307,417</u>
Total liabilities and net assets	<u>\$ 1,704,497</u>	<u>\$ 1,623,994</u>

The unrestricted net assets may be used to meet the obligations to employees and creditors and to help fund next year's budget.

**CITY OF SUNBRIGHT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

The City's net assets increased by \$79,461 and \$38,302 during June 30, 2012 and 2011, respectively. The following is a summary of financial activities for the City during the current fiscal year.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
REVENUES		
Program revenues:		
Fees, fines and charges for services	\$ 51,487	\$ 38,138
Operating grants and contributions	131,089	261,727
Capital grants and contributions	-	20,000
General revenues:		
Local taxes	247,424	235,805
Intergovernmental	6,378	59,375
Other income	20,176	4,999
Total Revenue	<u>456,554</u>	<u>620,044</u>
EXPENSES		
General government	\$ 132,782	\$ 382,284
Highways and streets	11,704	16,208
Public safety	88,302	87,638
Public welfare	92,851	42,913
Sewer services	48,841	52,709
Total Expenses	<u>374,480</u>	<u>581,752</u>
Change in net assets	82,074	38,292
Net assets at the beginning of the year	<u>1,307,407</u>	<u>1,269,115</u>
Net assets at the end of the year	<u>\$ 1,389,481</u>	<u>\$ 1,307,407</u>

Governmental activities increased the City's net asset by \$97,172 and \$40,597 during June 30, 2012 and 2011. The City's main source of revenues is from local and state-shared taxes which consist of tax revenue shared by the State of Tennessee, local option sales tax, and property taxes.

Business type activities decreased the City's net assets by \$17,711 and \$2,295 during June 30, 2012 and 2011.

**CITY OF SUNBRIGHT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Capital Assets:

The City's investment in capital assets was \$1,393,606 and \$1,348,241 both net of accumulated depreciation for June 30, 2012 and 2011, respectively. The majority of net capital assets are building and related improvements.

CAPITAL ASSETS

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Land	\$ 39,522	\$ 22,517
Buildings and improvements	391,737	302,257
Equipment	154,117	149,358
Vehicles	214,572	209,572
Sewer plant	<u>1,200,221</u>	<u>1,200,221</u>
Total capital assets at cost	2,000,169	1,883,925
Less: Accumulated depreciation	<u>(606,563)</u>	<u>(535,684)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 1,393,606</u>	<u>\$ 1,348,241</u>

The major capital asset additions during 2012 were due to the following:

Governmental Activities	
Land	\$ 17,005
Buildings and improvements	89,480
Vehicles	5,000
Equipment	4,759
Business-Type Activities	
Sewer addition	-
Total	<u>\$ 116,244</u>

Debt Administration:

At June 30, 2012 and 2011, the City had outstanding debt of \$212,645 and \$251,445 consisting of capital outlay notes payable.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Capital outlay notes	\$ 202,737	\$ 235,069
State loan payable	<u>9,908</u>	<u>16,376</u>
Total debt-principal	212,645	251,445
Less: Current portion due	<u>(39,493)</u>	<u>(38,806)</u>
Total long-term debt-principal	<u>\$ 173,152</u>	<u>\$ 212,639</u>

**CITY OF SUNBRIGHT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Financial Analysis of the City's Funds:

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

Governmental Funds:

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Sunbright's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. As of June 30, 2012 and 2011, the City of Sunbright's general fund reported an increase of \$8,990 and \$36,824.

Proprietary Funds:

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets were \$22,329 or 2% of total net assets of the Sewer fund and \$16,406 or 1.8% of total net assets of the Sewer Fund at the years ended June 30, 2012 and 2011, respectively. In June 30, 2012 and 2011, the Sewer Fund's net assets decreased by \$15,098 and \$2,295.

General Fund Budgetary Highlights

Actual revenues exceeded budgeted revenues. However, actual expenditures also exceeded budgeted expenditures.

Economic Factors and Next Year's Budget and Rates:

The Board of Mayor and Aldermen approved a final budget for the fiscal year ending June 30, 2013 with no significant changes from the prior year budget.

Requests for Information:

This financial report is designed to provide a general overview of the City of Sunbright's finances. Questions concerning any information provided in this report or requests for any additional financial information should be addressed to: Dennis Reagan, Mayor, City of Sunbright, Tennessee, 120 Melton Drive, Sunbright, TN, 37872, Telephone 423-628-5260.

CITY OF SUNBRIGHT, TENNESSEE
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 207,163	\$ 8,371	\$ 215,534
Property taxes receivables, net	59,721	-	59,721
Other taxes receivables, net	20,513		20,513
Accounts receivable, net	-	6,196	6,196
Due from other funds	4,125	9,487	13,612
Grants receivable	12,319	-	12,319
Total Current Assets	<u>303,841</u>	<u>24,054</u>	<u>327,895</u>
Capital Assets			
Capital assets			
Land	22,517	-	22,517
Other capital assets, net	479,801	874,284	1,354,085
Total Capital Assets	<u>502,318</u>	<u>874,284</u>	<u>1,376,602</u>
Total Assets	<u>\$ 806,159</u>	<u>\$ 898,338</u>	<u>\$ 1,704,497</u>

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts payable	13,619	1,725	15,344
Accrued interest	7,151	-	7,151
Current portion of long-term debt	32,929	6,564	39,493
Deferred revenue - taxes	66,255	-	66,255
Due to other funds	13,611	-	13,611
Total Current Liabilities	<u>133,565</u>	<u>8,289</u>	<u>141,854</u>
Long-Term Liabilities			
Long-term debt	169,808	3,344	173,152
Total Long-Term Liabilities	<u>169,808</u>	<u>3,344</u>	<u>173,152</u>
Total Liabilities	<u>303,373</u>	<u>11,633</u>	<u>315,006</u>
NET ASSETS			
Investment in capital assets, net of related debt			
net of related debt	299,581	864,376	1,163,957
Restricted	1,041		1,041
Unrestricted	-	22,329	22,329
Unassigned	202,164	-	202,164
Total Net Assets	<u>502,786</u>	<u>886,705</u>	<u>1,389,491</u>
Total Liabilities and Net Assets	<u>\$ 806,159</u>	<u>\$ 898,338</u>	<u>\$ 1,704,497</u>

CITY OF SUNBRIGHT, TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Governmental Activities						
General government	\$ 121,949	\$ -	\$ 16,269	\$ (105,680)	\$ -	\$ (105,680)
Public safety	88,302	-	8,588	(79,714)	-	(79,714)
Public welfare	92,851	2,367	106,232	15,748	-	15,748
Highways and streets	11,704	15,377	-	3,673	-	3,673
Interest on long-term debt	10,833	-	-	(10,833)	-	(10,833)
Total Governmental Activities	<u>325,639</u>	<u>17,744</u>	<u>131,089</u>	<u>(176,806)</u>	<u>-</u>	<u>(176,806)</u>
Business-Type Activities						
Sewer Fund	48,841	33,743	-	-	(15,098)	(15,098)
Total Business-Type Activities	<u>48,841</u>	<u>33,743</u>	<u>-</u>	<u>-</u>	<u>(15,098)</u>	<u>(15,098)</u>
Total Primary Government	<u>\$ 374,480</u>	<u>\$ 51,487</u>	<u>\$ 131,089</u>	<u>(176,806)</u>	<u>(15,098)</u>	<u>(191,904)</u>
General Revenues						
Property taxes				52,185	-	52,185
Sales taxes				174,220	-	174,220
Wholesale beer tax				18,725	-	18,725
Other local taxes				2,294	-	2,294
Intergovernmental revenues				6,378	-	6,378
Fines and fees				9,671	-	9,671
Other revenues				10,505	-	10,505
Total General Revenue				<u>273,978</u>	<u>-</u>	<u>273,978</u>
CHANGE IN NET ASSETS				97,172	(15,098)	82,074
NET ASSETS AT THE BEGINNING OF THE YEAR				<u>405,614</u>	<u>901,803</u>	<u>1,307,417</u>
NET ASSETS AT THE END OF THE YEAR				<u>\$ 502,786</u>	<u>\$ 886,705</u>	<u>\$ 1,389,491</u>

**CITY OF SUNBRIGHT, TENNESSEE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012**

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 200,969	\$ 6,194	\$ 207,163
Property taxes receivables, net	59,721	-	59,721
Due from other funds	4,125		4,125
Other taxes receivable	17,784	2,729	20,513
Grants receivable	<u>12,319</u>	<u>-</u>	<u>12,319</u>
TOTAL ASSETS	<u>\$ 294,918</u>	<u>\$ 8,923</u>	<u>\$ 303,841</u>
LIABILITIES			
Liabilities			
Accounts payable	12,951	668	13,619
Accrued interest	7,151	-	7,151
Due to other funds	9,487	4,124	13,611
Deferred revenue	<u>64,857</u>	<u>1,398</u>	<u>66,255</u>
TOTAL LIABILITIES	<u>94,446</u>	<u>6,190</u>	<u>100,636</u>
FUND BALANCES			
Unrestricted	199,431	2,733	202,164
Restricted, reported in nonmajor Special revenue funds	<u>1,041</u>	<u>-</u>	<u>1,041</u>
TOTAL FUND BALANCES	<u>200,472</u>	<u>2,733</u>	<u>203,205</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 294,918</u>	<u>\$ 8,923</u>	<u>\$ 303,841</u>

See accompanying notes to financial statements.

CITY OF SUNBRIGHT, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET ASSETS
JUNE 30, 2012

Total Fund Balance - Governmental Funds \$ 203,205

Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are reported in the statement of net assets; however, they are not current financial resources and therefore are not reported in the governmental funds balance sheet 502,318

Long-term liabilities are not due in the current period and, therefore, are not reported in the governmental funds balance sheet. (202,737)

Net Assets of Governmental Activities **\$ 502,786**

See accompanying notes to financial statements.

**CITY OF SUNBRIGHT, TENNESSEE
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	General Fund	State Street Aid Fund	Total Governmental Funds
REVENUE			
Local taxes	\$ 52,185	\$ -	\$ 52,185
Local option sales tax	78,301	-	78,301
Wholesale beer tax	18,725	-	18,725
Intergovernmental	98,213	-	98,213
Fees for services	2,469	-	2,469
Fines and forfeitures	9,671	-	9,671
State street aid	-	15,377	15,377
Grants	131,089	-	131,089
Other revenues	16,884	-	16,884
TOTAL REVENUE	<u>407,537</u>	<u>15,377</u>	<u>422,914</u>
EXPENDITURES			
Current:			
General government	107,589	-	107,589
Public safety	78,598	-	78,598
Public welfare	78,388	-	78,388
Highways and streets	-	11,704	
Capital outlay	94,480	-	94,480
Debt Service:			
Principal	32,332	-	32,332
Interest	10,833	-	10,833
TOTAL EXPENDITURES	<u>402,220</u>	<u>11,704</u>	<u>413,924</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>5,317</u>	<u>3,673</u>	<u>8,990</u>
FUND BALANCES AT THE BEGINNING OF THE YEAR	<u>195,155</u>	<u>(940)</u>	<u>194,215</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 200,472</u>	<u>\$ 2,733</u>	<u>\$ 203,205</u>

See accompanying notes to financial statements.

**CITY OF SUNBRIGHT, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUE
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds \$ 8,990

Amounts reported for governmental activities in the statement of activities are different because:

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:

Acquisition of capital assets	99,240
Depreciation expense	(43,390)

Repayment of long-term debt is an expenditures in the governmental funds, but reduces the long-term liabilities for governmental activities.

Repayment of long-term debt	<u>32,332</u>
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Change in Net Assets of Governmental Activities	<u>\$ 97,172</u>
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See accompanying notes to financial statements.

**CITY OF SUNBRIGHT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012**

	Budget		Actual	Variance
	Original	Final		Favorable/ (Unfavorable)
REVENUE				
Taxes:				
Property taxes	\$ 42,780	\$ 42,780	\$ 52,185	\$ 9,405
In-Lieu of tax payments	1,500	1,500	6,378	4,878
Local sales tax	66,300	66,300	78,301	12,001
Cable TV franchise tax	2,200	2,200	2,294	94
Wholesale beer tax	18,000	18,000	18,725	725
	<u>130,780</u>	<u>130,780</u>	<u>157,883</u>	<u>\$ 27,103</u>
Intergovernmental:				
State income tax	115,000	115,000	95,919	(19,081)
	<u>115,000</u>	<u>115,000</u>	<u>95,919</u>	<u>(19,081)</u>
Charges for services:				
Facility rental	-	-	2,389	2,389
	<u>-</u>	<u>-</u>	<u>2,389</u>	<u>2,389</u>
Fines and forfeitures:				
	6,200	6,200	9,671	3,471
Other revenues:				
Donations	1,400	1,400	1,780	380
EECDG grant	-	-	99,480	99,480
Insurance recoveries	-	-	4,537	4,537
CDBG grant	-	-	6,652	6,652
GHSO grant	-	-	8,588	8,588
FEMA	-	-	16,269	16,269
Other	-	-	4,369	4,369
	<u>1,400</u>	<u>1,400</u>	<u>141,675</u>	<u>140,275</u>
TOTAL REVENUE	<u>\$ 253,380</u>	<u>\$ 253,380</u>	<u>\$ 407,537</u>	<u>\$ 154,157</u>

See accompanying notes to financial statements.

CITY OF SUNBRIGHT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		Favorable/ (Unfavorable)
EXPENDITURES				
General government				
Salaries	10,500	10,500	29,190	(18,690)
Payroll taxes	23,300	23,300	22,681	619
Postage	755	755	639	116
Telephone	4,200	4,200	4,135	65
Utilities	4,500	4,500	4,399	101
Accounting	5,400	5,400	5,427	(27)
Dues	1,525	1,525	1,440	85
Insurance	20,400	20,400	19,734	666
Public relations	-	-	728	(728)
Repairs and maintenance	8,000	8,000	15,647	(7,647)
Operating supplies	-	-	3,569	(3,569)
	<u>78,580</u>	<u>78,580</u>	<u>107,589</u>	<u>(29,009)</u>
Public welfare:				
Salary	39,300	39,300	40,816	(1,516)
Utilities	-	-	1,571	(1,571)
Operating supplies	19,200	19,200	31,531	(12,331)
Repairs and maintenance	-	-	4,470	(4,470)
	<u>58,500</u>	<u>58,500</u>	<u>78,388</u>	<u>(19,888)</u>
Public safety:				
Salaries	67,500	67,500	68,605	(1,105)
Utilities	1,500	1,500	1,448	52
Education	-	-	1,172	(1,172)
Operating supplies	-	-	7,373	(7,373)
	<u>69,000</u>	<u>69,000</u>	<u>78,598</u>	<u>(9,598)</u>

See accompanying notes to financial statements.

**CITY OF SUNBRIGHT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable/ <u>(Unfavorable)</u>
Capital outlay:				
General government	<u>3,000</u>	<u>3,000</u>	<u>94,480</u>	<u>(91,480)</u>
Debt service:				
Bond principal	32,332	32,332	32,332	-
Interest expense	<u>10,768</u>	<u>10,768</u>	<u>10,833</u>	<u>(65)</u>
	<u>43,100</u>	<u>43,100</u>	<u>43,165</u>	<u>(65)</u>
TOTAL EXPENDITURES	<u>252,180</u>	<u>252,180</u>	<u>402,220</u>	<u>(150,040)</u>
Excess of Revenue over Over Expenditures	1,200	1,200	5,317	4,117
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>195,155</u>	<u>195,155</u>	<u>195,155</u>	<u>-</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 196,355</u>	<u>\$ 196,355</u>	<u>\$ 200,472</u>	<u>\$ 4,117</u>

See accompanying notes to financial statements.

**CITY OF SUNBRIGHT, TENNESSEE
STATE STREET AID FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012**

	Budget		Actual	Variance
	Original	Final		Favorable/ (Unfavorable)
REVENUE				
Intergovernmental:				
State gas and motor fuel tax	\$ 16,200	\$ 16,200	\$ 15,377	\$ (823)
TOTAL REVENUE	<u>\$ 16,200</u>	<u>\$ 16,200</u>	<u>\$ 15,377</u>	<u>\$ (823)</u>
EXPENDITURES				
Street lights	6,000	6,000	7,026	(1,026)
Vehicle operations	8,700	8,700	3,480	5,220
Paving	1,500	1,500	664	836
Other operating supplies	-	-	534	(534)
	<u>16,200</u>	<u>16,200</u>	<u>11,704</u>	<u>4,496</u>
TOTAL EXPENDITURES	<u>16,200</u>	<u>16,200</u>	<u>11,704</u>	<u>4,496</u>
Excess of Revenue over Over Expenditures	-	-	3,673	3,673
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>(940)</u>	<u>(940)</u>	<u>(940)</u>	-
FUND BALANCE AT THE END OF THE YEAR	<u>\$ (940)</u>	<u>\$ (940)</u>	<u>\$ 2,733</u>	<u>\$ 3,673</u>

See accompanying notes to financial statements.

**CITY OF SUNBRIGHT, TENNESSEE
 PROPRIETARY FUND –SEWER FUND
 STATEMENT OF NET ASSETS
 YEAR ENDED JUNE 30, 2012**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	8,371
Accounts receivable, net		6,196
Due from general fund		9,487
TOTAL CURRENT ASSETS		<u>24,054</u>

CAPITAL ASSETS

Sewer plant		1,193,642
Equipment		6,579
		<u>1,200,221</u>
Accumulated depreciation		<u>(325,937)</u>
TOTAL CAPITAL ASSETS		<u>874,284</u>

TOTAL ASSETS	\$	<u>898,338</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	1,725
Current portion of long- term debt		6,564
TOTAL CURRENT LIABILITIES		<u>8,289</u>

LONG-TERM LIABILITIES

Bonds payable		3,344
TOTAL LONG-TERM LIABILITIES		<u>3,344</u>

NET ASSETS

Invested in capital assets, net of related debt		864,376
Unrestricted		22,329
TOTAL NET ASSETS		<u>886,705</u>

TOTAL LIABILITIES AND NET ASSETS	\$	<u>898,338</u>
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See accompanying notes to financial statements.

**CITY OF SUNBRIGHT, TENNESSEE
PROPRIETARY FUND –SEWER FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS
YEAR ENDED JUNE 30, 2012**

OPERATING REVENUE	
Sewer charges	\$ 33,743
TOTAL OPERATING REVENUE	<u>33,743</u>
OPERATING EXPENSES	
Contracted services	6,000
Billing services	980
Membership dues	1,025
Utilities	9,640
Permits and licenses	510
Repairs and maintenance	3,005
Interest expense	192
Depreciation	<u>27,489</u>
TOTAL OPERATING EXPENSES	<u>48,841</u>
OPERATING INCOME (LOSS)	<u>(15,098)</u>
CHANGE IN NET ASSETS	<u>(15,098)</u>
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>901,803</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 886,705</u>

See accompanying notes to financial statements.

**CITY OF SUNBRIGHT, TENNESSEE
 PROPRIETARY FUND –SEWER FUND
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2012**

Cash Flows From Operating Activities	
Cash received from customers	\$ 31,130
Cash paid to suppliers	<u>(19,432)</u>
Net cash flows from operating activities	<u>11,698</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	<u>(6,468)</u>
Net cash flows from capital and related financing activities	<u>(6,468)</u>
Net increase in cash and cash equivalents	<u>5,230</u>
Cash and restricted cash equivalents at the beginning of year	<u>3,141</u>
Cash and cash equivalents at end of year	<u>\$ 8,371</u>
Reconciliation of net operating income to net cash flows from operating activities:	
Cash Flows From Operating Activities	
Operating income	\$ (15,098)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation & amortization	27,489
Changes in operating assets and liabilities	
(Increase) decrease in assets:	
Accounts receivable	1,195
Increase (decrease) in liabilities:	
Accounts payable	<u>725</u>
Net cash flows from operating activities	<u>\$ 14,311</u>

CITY OF SUNBRIGHT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sunbright, Tennessee, (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

Reporting Entity

The City of Sunbright, Tennessee was incorporated under TCA 6-18-011 et. seq. on October 12, 1990. The City operates under a mayor and Board of Alderman form of government and provides the following services as authorized by its charter; highways and streets, parks, fire protection, sewer, and general administrative services.

The City, for financial purposes, includes all of the funds relevant to the operations of the City of Sunbright, Tennessee. The financial statements presented herein do not include agencies which have been formed under applicable state laws as separate and distinct units of government apart from the City of Sunbright, Tennessee. As of June 30, 2012 and for the year ended, the City 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 (i.e., the statement of net assets and the statement of activities), report information about the primary government and its component units. These statements include the financial activities of the overall government. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities are generally financed through taxes and intergovernmental revenues and are reported separately from business-type activities, which are financed in whole or in part by fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by programs revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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 programs revenue are reported instead as general revenue.

CITY OF SUNBRIGHT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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.

The following fund types are used by the City:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

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

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

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The accounting principles generally accepted in the United States of America that are applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the City:

The sewer fund accounts for the activities of the sewer department, which operates and maintains a 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. Proprietary fund types are used to account for activities conducted on a fee-for-service basis in a manner similar to commercial enterprises providing services to the public. The principal operating revenue to the City's proprietary fund is charges to customers for sale and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 gives governments the option of applying all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its proprietary funds, unless they conflict with or contradict GASB pronouncements. The City has elected not to implement FASB statements and interpretations issued thereafter, unless they are adopted by GASB.

The City had no internal service funds or fiduciary funds as of or for the year ended June 30, 2012.

CITY OF SUNBRIGHT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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 funds financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, 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.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year-end. Sales, gasoline and motor fuel, and beer and liquor wholesale taxes are considered measurable at the point of sale and are recognized as revenue at that time. All other intergovernmental revenues, licenses and permits, charges for services, fines and forfeitures, and other revenues are measureable when received and are recorded as revenue at that time.

Property taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent March 1 of the following year. Property taxes attach as an enforceable lien on property after one year of delinquency.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Allowances for uncollectible taxes within the General Fund are based upon historical experience in collecting taxes.

CITY OF SUNBRIGHT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Budgetary Information

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

Cash and cash equivalents with original maturities of three months or less when purchased are considered to be cash equivalents.

Allowance for Uncollectible Accounts

At June 30, 2012 the allowance for uncollectible accounts are as follows:

General Funds	\$ 2,000
Sewer Fund	<u>2,000</u>
	<u>\$ 4,000</u>

Capital Assets

The historical cost of capital assets (excluding infrastructure) is recorded in the Government-Wide Statements. Depreciation is expensed based on the estimated useful lives of the assets on a straight line basis. Assets with an initial, individual cost greater than \$500 are capitalized. Donated capital assets are valued at estimated fair value on the date of donation. Estimated useful lives range from 7-40 years.

CITY OF SUNBRIGHT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Net Assets/Fund Balance

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unassigned. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Governmental fund equity is classified as fund balance. The Governmental Accounting Standards Board issued Statement No. 54 (GASB No. 54) Fund Balance Reporting and Governmental Fund Type Definitions in March 2009. GASB No. 54 enhances the usefulness of fund balance information presented in the governmental funds by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Fund balance in the governmental funds will be classified as follows:

1. Nonspendable – amounts that cannot be spent because they are either (1) not in spendable form (such as inventories, prepaids, etc.) or (2) legally or contractually required to be maintained intact (such as corpus or principal of a permanent fund).
2. Restricted – amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed – amounts that can be used only for the specific purposes determined by a formal action (e.g. ordinance or resolution) of the government's highest level of decision-making authority.
4. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned – represents the residual classification for the government's general fund and includes all amounts not contained in the other classifications. For funds other than the general fund, this category includes a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

CITY OF SUNBRIGHT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE B – 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, 2012, are as follows:

	Balance Per Books	Balance Per Bank
Deposits		
Governmental activities		
Cash on gift card	\$ 2,500	\$ -
Cash in checking and savings	204,663	207,962
	207,163	207,962
Business-type activities		
Cash on hand	100	-
Cash in checking and savings	8,271	8,271
	8,371	8,271
Total cash and savings accounts	\$ 215,534	\$ 216,233

State of Tennessee authorizes the City to invest in obligations of the United States or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as the principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidence of deposit in state and federal banks and savings and loan associations, and the state treasurer's investment pool. The pool contains investment in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool. Although the City may participate in the state investment pool, it elects not to.

The City's bank balances were entirely insured through the Federal Deposit Insurance Corporation or the State of Tennessee Collateral Pool, or collateral held by the government, or its agent, in its name. All cash and cash equivalent balances at June 30, 2012 were entirely insured by the Federal Deposit Insurance Corporation.

**CITY OF SUNBRIGHT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 22,517	\$ -	\$ -	22,517
Total capital assets, not being depreciated	<u>22,517</u>	<u>-</u>	<u>-</u>	<u>22,517</u>
Capital assets, being depreciated:				
Buildings	302,257	89,480	-	391,737
Vehicles	209,572	5,000	-	214,572
Equipment	<u>149,358</u>	<u>4,759</u>	<u>-</u>	<u>154,117</u>
Total capital assets being depreciated	661,187	99,239	-	760,426
Less accumulated depreciation:	<u>(237,236)</u>	<u>(43,390)</u>	<u>-</u>	<u>(280,626)</u>
Total capital assets being depreciated, net	<u>423,951</u>	<u>55,849</u>	<u>-</u>	<u>479,800</u>
Governmental activities capital assets, net	<u>\$ 446,468</u>	<u>\$ 55,849</u>	<u>\$ -</u>	<u>\$ 502,317</u>
Business-type activities:				
Capital assets, being depreciated				
Sewer plant & equipment	<u>1,200,221</u>	<u>-</u>	<u>-</u>	<u>1,200,221</u>
Total capital assets, being depreciated	<u>1,200,221</u>	<u>-</u>	<u>-</u>	<u>1,200,221</u>
Less accumulated depreciation:	<u>(298,448)</u>	<u>(27,489)</u>	<u>-</u>	<u>(325,937)</u>
Business-type activities capital assets, net	<u>\$ 901,773</u>	<u>\$ (27,489)</u>	<u>\$ -</u>	<u>\$ 874,284</u>

**CITY OF SUNBRIGHT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE C – CAPITAL ASSETS (CONT.)

Governmental activities:	
General government	\$ 14,464
Public safety	14,463
Public welfare	<u>14,463</u>
Total depreciation expense - governmental activities	<u>\$ 43,390</u>
Business-type activities:	
Water	\$ 27,489
Total depreciation expense - business-type activities	<u>\$ 27,489</u>

NOTE D – INTERFUND RECEIVABLES AND PAYABLES

Amounts due from and due to other funds at June 30, 2012 are summarized as follows:

	<u>Due from</u>	<u>Due to</u>
Governmental Activities:		
General fund	\$ 9,487	\$ 4,125
State Street Aid fund	<u>4,125</u>	<u>-</u>
Business-Type Activities		
Sewer Fund	<u>\$ -</u>	<u>\$ 9,487</u>
	<u>\$ 13,612</u>	<u>\$ 13,612</u>

Balances due to the General Fund from the State Street Aid Fund are for expenses of the State Street Aid Fund paid for the General Fund. Balances due to the Sewer Fund from the General Fund are for operating expenses.

CITY OF SUNBRIGHT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE E – LONG-TERM DEBT

Long-term debt of the City of Sunbright, Tennessee at June 30, 2012, consists of the following:

Governmental Activities

\$178,000 capital outlay note from Citizen's First Bank due in annual installments of \$20,085, plus interest of 5% through July 2012	\$ 142,737
\$200,000 capital outlay note from Progressive Savings Bank due in annual installments of \$20,000, plus interest of 3.85% through February 2015	 <u>60,000</u>
Total debt	202,737
Less amounts due within one year	<u>(32,929)</u>
Total long-term debt	<u>\$ 169,808</u>

Business-Type Activities

State of Tennessee Revolving Fund Loan, due in monthly installments of \$555, including interest of 1.39% through January 2014	\$ 9,908
Less amounts due within one year	<u>(6,564)</u>
Total long-term debt	<u>\$ 3,344</u>

**CITY OF SUNBRIGHT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE E – LONG-TERM DEBT (CONT.)

Scheduled payments on long-term debt as of June 30, 2012 are as follows:

Governmental Activities

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 32,929	\$ 9,466	\$ 42,395
2014	33,595	8,030	41,625
2015	34,275	6,581	40,856
2016	14,989	5,097	20,086
2017	15,727	4,359	20,086
2018-2021	<u>71,222</u>	<u>9,122</u>	<u>80,344</u>
	<u>\$ 202,737</u>	<u>\$ 42,655</u>	<u>\$ 245,392</u>

Business-Type Activities

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 6,564	\$ 96	\$ 6,660
2014	<u>3,344</u>	<u>12</u>	<u>3,356</u>
	<u>\$ 9,908</u>	<u>\$ 108</u>	<u>\$ 10,016</u>

**CITY OF SUNBRIGHT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE E – LONG-TERM DEBT (CONT.)

During the year ended June 30, 2012, the changes in long-term debt were as follows:

	Balance July 1, 2011	Proceeds	Payments	Balance June 30, 2012	Amounts Due Within One Year
Governmental Activities					
Capital Outlay	\$ 80,000	\$ -	\$ 20,000	\$ 60,000	\$ 20,000
Capital Outlay note	155,069	-	12,332	142,737	12,929
	<u>\$ 235,069</u>	<u>\$ -</u>	<u>\$ 32,332</u>	<u>\$ 202,737</u>	<u>\$ 32,929</u>
Business-Type Activities					
State Revolving Fund Loan	\$ 16,376	\$ -	\$ 6,468	\$ 9,908	\$ 6,564

NOTE F – RISK MANAGEMENT

The City 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 City's risks of loss are covered by its commercial package insurance policies. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years.

NOTE G- CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the City to concentrations of credit risk consist primarily of taxes receivable. Management does not believe significant credit risk exists at June 30, 2012.

NOTE H – EXPENDITURES EXCEED APPROPRIATIONS

Expenditures exceeded appropriations for the General Fund in the amount of \$150,040.

NOTE I – SUBSEQUENT EVENTS

The City's management has evaluated events and transactions through December 17, 2012, the date of the financial statements were available to issue for items that should potentially be recognized or disclosed.

OTHER SUPPLEMENTARY INFORMATION

CITY OF SUNBRIGHT, TENNESSEE
SCHEDULE OF PROPERTY TAXES RECEIVABLE
JUNE 30, 2012

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2011</u>	<u>Taxes Levied</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Balance June 30, 2012</u>
2012	0.6000	\$ 9,539,417	\$ 57,237	\$ -	\$ 57,237	\$ -	\$ -	\$ 57,237
2011	0.6000	8,679,500	52,077	52,077	-	-	(47,893)	4,184
2010	0.6000	8,443,412	41,385	850	-	-	(795)	55
2009	0.4900	9,006,837	47,349	134	-	-	(134)	-
2008	0.4900	8,834,975	43,303	522	-	-	(277)	245
2007	0.4900	8,629,858	42,294	156	-	-	(156)	-
2006	0.6000	6,638,638	39,832	-	-	-	-	-
2005	0.6000	6,557,291	39,344	-	-	-	-	-
				<u>\$ 53,739</u>	<u>\$ 57,237</u>	<u>\$ -</u>	<u>\$ (49,255)</u>	<u>\$ 61,721</u>
								Less: Allowance for Doubtful Accounts <u>\$ (2,000)</u>
								Net Property Tax Receivable <u>\$ 59,721</u>

As of June 30, 2012, all delinquent property taxes have been filed with Morgan County, Tennessee Clerk and Master.

See accompanying independent auditors' report.

CITY OF SUNBRIGHT, TENNESSEE
SEWER FUND
SCHEDULE OF UTILITY RATES AND NUMBER OF CUSTOMERS SERVED
JUNE 30, 2012

Residential Users

First 2,000 gallons (minimum billing)	\$ 23.00
Over 2,000 gallons (per 1,000 gallons)	5.15

Commercial

First 2,000 gallons (minimum billing)	30.00
Over 2,000 gallons (per 1,000 gallons)	3.90

All customers are billed by the Sunbright Utility District. The District receives all customer payments and remits the total collected to the City monthly.

For the year ending June 30, 2013, customers will be billed by Plateau Utility District due to a merger with Sunbright Utility District.

Number of metered customers	72
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See accompanying independent auditors' report.

CITY OF SUNBRIGHT, TENNESSEE
SCHEDULE OF INSURANCE COVERAGE
JUNE 30, 2012

Insurance Service Group	<u>Coverage Amount</u>
<u>Property</u>	
Buildings and Personal Property	\$ 753,951
<u>Comprehensive General Liability</u>	
General Liability	2,000,000
Errors and Omissions	600,000
Employee Dishonesty	100,000
Auto Liability	600,000
Auto Physical Damage	Cash Value
Worker's Compensation and Employer's Liability	1,000,000

See accompanying independent auditors' report.

**CITY OF SUNBRIGHT, TENNESSEE
GENERAL FUND
LONG-TERM DEBT REQUIREMENTS
JUNE 30, 2012**

Capital Outlay Note

Year Ended June 30,	Principal	Interest
2013	\$ 20,000	\$ 2,310
2014	20,000	1,540
2015	20,000	770
	<u>\$ 60,000</u>	<u>\$ 4,620</u>

Capital Outlay Note

Year Ended June 30,	Principal	Interest
2013	\$ 12,929	\$ 7,156
2014	13,595	6,490
2015	14,275	5,811
2016	14,989	5,097
2017	15,727	4,359
2018	16,525	3,561
2019	17,351	2,735
2020	18,219	1,867
2021	19,127	959
	<u>\$ 142,737</u>	<u>\$ 38,035</u>

Year Ended June 30,	TOTAL PRINCIPAL	TOTAL INTEREST	TOTAL DEBT SERVICE REQUIREMENT
2013	\$ 32,929	\$ 9,466	\$ 42,395
2014	33,595	8,030	41,625
2015	34,275	6,581	40,856
2016	14,989	5,097	20,086
2017	15,727	4,359	20,086
2018	16,525	3,561	20,086
2019	17,351	2,735	20,086
2020	18,219	1,867	20,086
2021	19,127	959	20,086
	<u>\$ 202,737</u>	<u>\$ 42,655</u>	<u>\$ 245,392</u>

See accompanying independent auditors' report.

**CITY OF SUNBRIGHT, TENNESSEE
SEWER FUND
LONG-TERM DEBT REQUIREMENTS
JUNE 30, 2012**

State of Tennessee Revolving Loan

Year Ended June 30,	Principal	Interest
2013	\$ 6,564	\$ 96
2014	<u>3,344</u>	<u>12</u>
	<u>\$ 9,908</u>	<u>\$ 108</u>

Year Ended June 30,	TOTAL PRINCIPAL	TOTAL INTEREST	TOTAL DEBT SERVICE REQUIREMENT
2013	\$ 6,564	\$ 96	\$ 6,660
2014	<u>3,344</u>	<u>12</u>	<u>3,356</u>
	<u>\$ 9,908</u>	<u>\$ 108</u>	<u>\$ 10,016</u>

See accompanying independent auditors' report.

CITY OF SUNBRIGHT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2012

CFDA Number	Grant Number	Federal Grantor/ Program Name	Receivable June 30, 2011	Receipts	Expenditures	Adjustments	Receivable June 30, 2012
FEDERAL AWARDS							
97.036		DHS/Disaster Grants - Public Assistance (Presidentially Declared Disasters)	\$ -	\$ 16,269	\$ 16,269	\$ -	\$ -
14.228		HUD/Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	-	-	6,652	-	6,652
TOTAL FEDERAL AWARDS			-	16,269	22,920	-	6,652
STATE FINANCIAL ASSISTANCE							
		Energy Efficiency and Conservation Block Grant (EECBG) Waste Stream Plan	-	99,479	99,479	-	-
		Governor's Highway and Safety Office Grant	-	-	5,667	-	5,667
TOTAL STATE AWARDS			-	99,479	105,146	-	5,667
TOTAL FEDERAL & STATE AWARDS			\$ -	\$ 115,748	\$ 128,066	\$ -	\$ 12,318



DANIELS, USELTON AND CLAY, P.C.

Certified Public Accountants & Consultants

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

Honorable Mayor and Aldermen
City of Sunbright, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Sunbright, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon, dated December 17, 2012. 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.

Internal Control over Financial Reporting

Management of the City of Sunbright is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Sunbright's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sunbright's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sunbright's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. We consider the deficiencies 2012-1 and 2012-2 to be significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sunbright'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2012-1 and 2012-1.

The City of Sunbright's response to the findings indentified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Sunbright's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, the State of Tennessee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.


December 17, 2012

**CITY OF SUNBRIGHT, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

CURRENT YEAR FINDINGS

Finding 2012-1 Financial Statement and Footnote Preparation

CONDITION – An entity being auditing is required to have sufficient internal control over financial reporting to allow management to prepare their own financial statements and footnotes in accordance with generally accepted accounting principles (GAAP). Due to limitations on staff size and resources, the City's current internal control structure does not meet this requirement. Management obtains assistance from its external audit firm for the preparation of its annual financial statements and footnotes in accordance with GAAP. Although this results in financial statements which are in accordance with GAAP, the external audit firm cannot and is not considered to be a part of the City's internal control structure.

RECOMMENDATION – The City should consider whether it should obtain training for its staff to allow them to prepare financial statements in accordance with GAAP or continue to rely on others for this service.

MANAGEMENT'S RESPONSE – The City is a small entity with limited resources. Management had determined that it is more efficient to obtain assistance from its external auditors for the preparation of the annual financial statements and footnotes in accordance with GAAP. Management will continue to review the financial statements and footnotes and take responsibility for them.

Finding 2012-2 Schedule of Expenditures of Federal and State Awards

CONDITION – The City did not prepare a schedule of expenditures of federal and state awards.

RECOMMENDATION – The City should develop processes to properly accumulate and report federal award information for inclusion in the schedule of expenditures of federal and state awards.

MANAGEMENT'S RESPONSE – We concur and will prepare the schedule of expenditures of federal and state awards beginning with the year ending June 30, 2013.

PRIOR YEAR FINDINGS – RESOLVED

Finding 2011-1 Deficit Fund Balance

CONDITION - Town officials failed to ensure that the State Street Aid fund maintained a fund surplus at all times during the year and at year-end

RECOMMENDATION – Town officials should ensure that each fund reflects an adequate fund surplus at all times.

MANAGEMENT'S RESPONSE – This was a one-time occurrence and should not be repeated in the future.

