

TOWN OF RIDGELY, TENNESSEE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

June 30, 2014

**TOWN OF RIDGELY, TENNESSEE
TABLE OF CONTENTS**

Introductory Section

Schedule of Officials

Financial Section

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Governmental Funds Balance Sheet	12
Reconciliation of the Balance Sheet of Governmental Funds to the	
Statement of Net Position	13
Statement of Governmental Fund Revenues, Expenditures and Changes in	
Fund Balance	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balance of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual – General Fund.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual – Solid Waste Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual – Cemetery Fund	20
Proprietary Fund Financial Statements	
Statement of Net Position	21
Statement of Revenues, Expenses and Changes in Net Position	22
Statement of Cash Flows.....	23
Notes to Financial Statements	24

Supplementary and Other Information

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
Nonmajor Governmental Fund – Drug Fund	36
Schedule of Expenditures of Federal Awards	37
Schedule of State Financial Assistance	38
Schedule of Debt Service Requirements to Maturity	39
Schedule of Property Taxes.....	40
Schedule of Utility Rates.....	41
Unaudited Water Loss Schedule – AWWA Reporting Model.....	42

Internal Control and Compliance

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance	
and Other Matters based on an Audit of Financial Statements Performed in Accordance	
With <i>Government Auditing Standards</i>	43
Schedule of Findings and Responses.....	45
Schedule of Prior Findings.....	46

TOWN OF RIDGELY, TENNESSEE
Schedule of Officials
June 30, 2014

City Council

Steve Jones, Mayor
Brenda Crittenden
Tony Mays
Dennis Richardson
W.C. Roberson
Frankie Sharp
Chris Tate

Jan Platt, Certified Municipal Finance Officer

Financial Section

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



Certified Public Accountants
Offices in Tennessee & Kentucky

185 North Church St.
Dyersburg, TN 38024

Phone 731.285.7900
Fax 731.285.6221
www.atacpa.net

Independent Auditor's Report

The Honorable Mayor and Board of Aldermen
Town of Ridgely, Tennessee 38080

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ridgely, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ridgely, Tennessee, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund, solid waste fund and cemetery fund for the

year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–9 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ridgely, Tennessee's basic financial statements. The introductory section and the information listed as supplementary and other information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary and other information, except that which is marked unaudited, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary and other information, except that which is marked unaudited, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the supplementary and other information marked unaudited 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 November 19, 2014, on our consideration of the Town of Ridgely, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Ridgely, Tennessee's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Dyersburg, Tennessee
November 19, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Ridgely, Tennessee we offer readers of the Town of Ridgely, Tennessee's financial statements this narrative overview and analysis of the financial activities of the Town of Ridgely for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in the basic financial statements and the accompanying notes to those financial statements. All amounts, unless otherwise indicated, are expressed in actual dollars.

FINANCIAL HIGHLIGHTS

Management believes the Town of Ridgely's financial condition is sufficiently strong to provide services to its citizens in the future. The Town is within its budget for the current year and plans to monitor all funds frequently to assure compliance with policies set forth by the Mayor and Board of Aldermen. The following are key financial highlights.

- The assets of the Town of Ridgely exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$5,794,010. Of this amount, \$1,011,414 (unrestricted net position) may be used to meet the government's ongoing obligation to citizens and creditors. The Town's total net position increased by \$346,906.
- At June 30, 2014, the Town's governmental funds reported a combined ending fund balance of \$669,212, an increase of \$25,471 in comparison with the prior year. The increase was primarily due to revenues exceeding expenditures in the Town's general fund and solid waste fund. The unassigned fund balance of \$283,174 is available for spending at the government's discretion.
- The Town's total long-term debt increased by \$727,683 during the year ended June 30, 2014 due to the issuance of the state revolving loan for water well construction.
- The Town's capital assets increased by \$940,546 during the year ended June 30, 2014 due to the construction of the water wells, CDBG water line improvements and TDOT grant street and sidewalk improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the Town's financial condition and activities. Summary financial statement data, key financial and operational indicators, budget and other management tools were used for this analysis. The Town'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 required supplementary information and supplementary and other information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The *Statement of Net Position* presents the financial position of the Town on a full accrual, historical cost basis. The statement of net position provides information on all the Town's assets, liabilities, deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, highways and streets, cemetery and sanitation services. The business-type activities of the Town include the operations of the water and sewer facilities.

The government-wide financial statements can be found on pages 10-11 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 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 funds balance sheet and the governmental fund statement of revenues, expenditures and changes in fund equity provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town adopts an annual appropriations budget for its general, solid waste, cemetery, and drug funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-20 of this report.

Proprietary funds - The Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its Water and Sewer activities.

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

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Notes to the Financial Statements

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the government-wide and fund financial statements. The notes present information about the Town's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. The notes to the financial statements can be found on pages 24-35 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain statistical and other supplementary information. The statement for nonmajor governmental funds (drug fund) is presented immediately following the notes to the financial statements; as well as other schedules of grant activity and debt service requirements. These fund statements and schedules can be found beginning on page 36 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Ridgely, assets exceeded liabilities by \$5,794,010 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (77%) reflects its net investment in capital assets (e.g., land, buildings, machinery, utility plant and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 922,853	\$ 901,515	\$ 802,405	\$ 654,971	\$ 1,725,258	\$ 1,556,486
Capital assets	1,275,607	1,229,848	4,089,104	3,194,317	5,364,711	4,424,165
Total assets	2,198,460	2,131,363	4,891,509	3,849,288	7,089,969	5,980,651
Long-term liabilities	-	-	992,348	231,669	992,348	231,669
Other liabilities	518	708	61,237	58,657	61,755	59,365
Total liabilities	\$ 518	\$ 708	\$ 1,053,585	\$ 290,326	\$ 1,054,103	\$ 291,034
Deferred Inflows of resources-property tax	\$ 241,856	\$ 242,513	\$ -	\$ -	\$ 241,856	\$ 242,513
Net Position						
Net investment in capital assets	1,275,607	1,229,848	3,096,756	2,962,648	4,372,363	4,192,496
Restricted	386,038	359,501	24,195	24,195	410,233	383,696
Unrestricted	294,441	298,793	716,973	572,119	1,011,414	870,912
Total net position	\$ 1,956,086	\$ 1,888,142	\$ 3,837,924	\$ 3,558,962	\$ 5,794,010	\$ 5,447,104

At year end \$410,233 of the Town's net position represented resources that are subject to external restrictions on how they may be used. The balance of \$1,011,414 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2014, the Town is able to report positive balances in all three categories of net position, both for the government as a whole and for its separate governmental and business-type activities.

	Governmental Activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 211,781	\$ 226,126	\$ 542,544	\$ 497,504	\$ 754,325	\$ 723,630
Operating grants and contributions	56,009	3,815	-	-	56,009	3,815
Capital grants and contributions	108,007	19,477	254,277	201,181	362,284	220,658
General Revenues:						
Local taxes	267,771	273,403	-	-	267,771	273,403
Intergovernmental	215,916	257,679	-	-	215,916	257,679
Other - including transfers in	22,641	15,081	1,281	2,581	23,922	17,662
Total revenues	882,125	795,581	798,102	701,266	1,680,227	1,496,847
Expenses:						
General government	178,693	172,296	-	-	178,693	172,296
Public Safety	313,663	308,913	-	-	313,663	308,913
Highway and Streets	142,392	168,582	-	-	142,392	168,582
Cemetery	45,279	77,601	-	-	45,279	77,601
Sanitation	134,154	157,343	-	-	134,154	157,343
Water & sewer-including transfers	-	-	519,140	496,576	519,140	496,576
Total expenses	814,181	884,735	519,140	496,576	1,333,321	1,381,311
Increase (decrease) in net position	67,944	(89,154)	278,962	204,690	346,906	115,536
Beginning net position	1,888,142	1,977,296	3,558,962	3,354,272	5,447,104	5,331,568
Ending net position	\$ 1,956,086	\$ 1,888,142	\$ 3,837,924	\$ 3,558,962	\$ 5,794,010	\$ 5,447,104

The government's net position increased \$346,906 during the current fiscal year. Of this, governmental net position increased \$67,944. Business-type activities (water and sewer fund) net position increased by \$278,962.

Governmental activities - Governmental activities increased the Town of Ridgely's overall net position for fiscal year 2014. A key element of this increase is as follows:

- The increase in grant revenue and capital assets were largely the result of the TDOT Safe Routes to School grant street and sidewalk construction during fiscal year 2014.

Business-type activities - Business-type activities increased the Town of Ridgely's overall net position for fiscal year 2014. Key elements of the increase are as follows:

- Capital grant revenues increased due to the completion of the CDBG Water System Rehabilitation grant during fiscal year 2014.
- Long-term debt increased during fiscal year 2014 as the result of the Town obtaining a State Revolving Loan for the construction of water wells.
- Net capital assets increased as a result of the capitalization of the water line improvements and the construction of water wells.

Financial Analysis of the Government's Funds

As noted earlier, 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, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund equity may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund equity of \$669,212, an increase of \$25,471 in comparison with the prior year. Of this amount \$283,174 constitutes unassigned fund equity, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund equity of the general fund was \$283,174. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund equity and total fund equity to total fund expenditures. Unassigned fund equity represents 42% of total general fund expenditures.

The fund equity of the Town's general fund increased \$2,936 during the current fiscal year. Other factors concerning the finances have been addressed in the discussion of the Town's governmental activities.

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

Unrestricted net position of the Water and Sewer fund at the end of the year amounted to \$716,973. The total increase in net position for the Water and Sewer fund was \$278,962. Other factors concerning the finances have been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

At the end of fiscal year 2014, the Town had \$5,364,711 (net of accumulated depreciation) invested in a broad range of capital assets. This investment includes land and improvements, general infrastructure, buildings, furniture and equipment, and utility plant in service. The total increase in the Town's investment in capital assets for the current period amounted to \$940,546.

Major capital asset events during the current fiscal year included the following:

- Major events for the business-type activities include \$734,036 in expenses for the construction of water wells and \$277,178 in additional CDBG grant water system improvements. Also capitalized during the year was a \$588 computer laptop and \$13,600 for a lagoon flow meter. Out of service computer equipment with a combined original cost of \$16,627 and no remaining book value was disposed of/scrapped.
- Major events for the governmental activities included \$109,798 in street improvements related to the Safe Routes to School grant.

Additional information on the Town's capital assets can be found in Note 4 of this report.

The following tables summarize the Town's capital assets, and changes therein, for the year ended June 30, 2014. These changes are presented in detail in Note 4 to the financial statements.

	(Net of Depreciation)					
	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land (not depreciated)	\$ 347,700	\$ 347,700	\$ 84,340	\$ 84,340	\$ 432,040	\$ 432,040
Infrastructure	695,077	565,141	-	-	695,077	565,141
Buildings	221,521	221,521	-	-	221,521	221,521
Furniture and equipment	405,480	405,480	160,742	176,782	566,222	582,262
Utility plant in operation	-	-	6,479,355	5,188,240	6,479,355	5,188,240
Construction in progress	-	20,138	-	266,300	-	286,438
Total Capital Assets	1,669,778	1,559,980	6,724,437	5,715,662	8,394,215	7,275,642
Less: Accum. Deprec.	(394,171)	(330,132)	(2,635,333)	(2,521,345)	(3,029,504)	(2,851,477)
Total, net of Deprec.	<u>\$ 1,275,607</u>	<u>\$ 1,229,848</u>	<u>\$ 4,089,104</u>	<u>\$ 3,194,317</u>	<u>\$ 5,364,711</u>	<u>\$ 4,424,165</u>

Long-term debt - At the end of the current fiscal year, the Town had total debt outstanding of \$959,352 represented by bonds secured primarily by a specified revenue source with a full faith and credit pledge.

Town of Ridgely, Tennessee's Outstanding Debt						
General Obligation and Revenue Bonds						
	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation notes	\$ -	\$ -	\$ 734,036	\$ -	\$ 734,036	\$ -
Revenue bonds	-	-	225,316	231,669	225,316	231,669
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 959,352</u>	<u>\$ 231,669</u>	<u>\$ 959,352</u>	<u>\$ 231,669</u>

The Town's total debt increased \$727,683 during the current fiscal year. Total amount due within one year is \$43,229.

Additional information on the Town's long-term debt can be found in Note 4.

Economic Factors and Next Year's Budget and Rates

Factors considered in preparing the Town's budget for the 2015 fiscal year include the following:

- The 2014 unemployment rate for Ridgely and Lake County was 9.8%, compared to the State's rate of 7.4% and the national average unemployment rate of 6.3%.
- The general fund expects to obtain a State Grant to purchase a fire truck (\$300,000) during fiscal year 2015.

The Town has approved an operating budget for the general fund of \$1,071,305 for fiscal year 2015 with a planned increase of \$2,219 in general fund equity. The 2014 property tax assessment of \$1.77 per \$100 of assessed value of property remained the same for the 2013 assessment. One cent on the property tax brings in about \$1,050 in tax revenue.

The Town has approved an operating budget for the water/sewer fund of \$452,770 for fiscal year 2015 with a planned increase of \$98,505 in net position.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or requests for any additional information should be directed to the Office of the City Recorder, Town of Ridgely, 140 N. Main Street, Ridgely, Tennessee 38080.

BASIC FINANCIAL STATEMENTS

TOWN OF RIDGELY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 386,022	\$ 185,442	\$ 571,464
Certificates of deposit	182,922	380,040	562,962
Property taxes receivable (net)	253,446	-	253,446
Accounts receivable (net)	18,388	73,401	91,789
Other taxes receivable	57,333	-	57,333
Interest receivable	254	-	254
Internal balances	(1,574)	1,574	-
Due from other governments	3,794	-	3,794
Due from grantor	-	103,473	103,473
Inventory	-	25,352	25,352
Other current assets	-	127	127
Restricted assets:			
Cash and cash equivalents	22,268	32,996	55,264
Capital assets, not being depreciated:			
Land and improvements	347,700	84,340	432,040
Capital assets, being depreciated, net:			
General infrastructure	600,254	-	600,254
Buildings	156,849	-	156,849
Furniture and equipment	170,804	6,791	177,595
Utility plant in service	-	3,997,973	3,997,973
Total assets	2,198,460	4,891,509	7,089,969
Liabilities			
Accounts Payable	-	2,775	2,775
Other accrued liabilities	518	3,112	3,630
Customer deposits	-	55,350	55,350
Noncurrent liabilities			
Due within one year	-	76,225	76,225
Due in more than one year	-	916,123	916,123
Total liabilities	518	1,053,585	1,054,103
Deferred Inflows of Resources			
Unavailable revenue - property tax	241,856	-	241,856
Total deferred inflows of resources	241,856	-	241,856
Net Position			
Net investment in capital assets	1,275,607	3,096,756	4,372,363
Restricted for:			
State street aid	22,268	-	22,268
Sanitation	108,967	-	108,967
Cemetery	252,471	-	252,471
Drug fund	2,332	-	2,332
Debt service	-	24,195	24,195
Unrestricted	294,441	716,973	1,011,414
Total net position	\$ 1,956,086	\$ 3,837,924	\$ 5,794,010

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

TOWN OF RIDGELY, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 178,693	\$ 3,432	\$ -	\$ -	\$ (175,261)	\$ -	\$ (175,261)
Public safety	313,663	11,031	2,400	4,681	(295,551)	-	(295,551)
Highways and streets	142,392	-	50,099	103,326	11,033	-	11,033
Cemetery	45,279	36,950	3,510	-	(4,819)	-	(4,819)
Sanitation	134,154	160,368	-	-	26,214	-	26,214
Total governmental activities	<u>814,181</u>	<u>211,781</u>	<u>56,009</u>	<u>108,007</u>	<u>(438,384)</u>	<u>-</u>	<u>(438,384)</u>
Business-type activities:							
Water and sewer	499,140	542,544	-	254,277	-	297,681	297,681
Total business-type activities	<u>499,140</u>	<u>542,544</u>	<u>-</u>	<u>254,277</u>	<u>-</u>	<u>297,681</u>	<u>297,681</u>
Total	<u>\$ 1,313,321</u>	<u>\$ 754,325</u>	<u>\$ 56,009</u>	<u>\$ 362,284</u>	<u>\$ (438,384)</u>	<u>\$ 297,681</u>	<u>\$ (140,703)</u>
General Revenues							
Property taxes and interest/penalties					221,879	-	221,879
Ad valorem tax					18,864	-	18,864
Housing Authority in lieu of taxes					7,169	-	7,169
TVA in lieu of tax					19,859	-	19,859
Local county sales taxes					37,559	-	37,559
State sales tax					128,248	-	128,248
Telecommunications state tax					181	-	181
State beer tax					849	-	849
Wholesale beer taxes					22,132	-	22,132
Minimum business taxes					4,525	-	4,525
Cable TV franchise taxes					6,341	-	6,341
State corporate excise tax					1,656	-	1,656
State income tax					14,425	-	14,425
Interest					900	1,281	2,181
Miscellaneous					1,741	-	1,741
Transfers - payments in lieu of taxes					20,000	(20,000)	-
Total					<u>506,328</u>	<u>(18,719)</u>	<u>487,609</u>
Change in net position					67,944	278,962	346,906
Net position - beginning					<u>1,888,142</u>	<u>3,558,962</u>	<u>5,447,104</u>
Net position - ending					<u>\$ 1,956,086</u>	<u>\$ 3,837,924</u>	<u>\$ 5,794,010</u>

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

TOWN OF RIDGELY, TENNESSEE
GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2014

	<u>MAJOR</u>			<u>NONMAJOR</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Cemetery Fund</u>	<u>Drug Fund</u>	
Assets					
Cash	\$ 224,762	\$ 107,767	\$ 51,161	\$ 2,332	\$ 386,022
Certificates of deposit	-	-	182,922	-	182,922
Property taxes receivable, net	253,446	-	-	-	253,446
Other taxes receivable	57,333	-	-	-	57,333
Accounts receivable, net	-	-	18,388	-	18,388
Accrued interest receivable	254	-	-	-	254
Due from other governments	2,594	1,200	-	-	3,794
Restricted cash - state street aid	22,268	-	-	-	22,268
Total assets	<u>\$ 560,657</u>	<u>\$ 108,967</u>	<u>\$ 252,471</u>	<u>\$ 2,332</u>	<u>\$ 924,427</u>
Liabilities					
Sales tax payable	\$ 518	\$ -	\$ -	\$ -	\$ 518
Due to other funds	1,574	-	-	-	1,574
Total liabilities	<u>2,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,092</u>
Deferred Inflows of Resources					
Unavailable revenue - property taxes	253,123	-	-	-	253,123
Total deferred inflows of resources	<u>253,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,123</u>
Fund Balances					
Restricted					
State Street Aid	22,268	-	-	-	22,268
Sanitation	-	108,967	-	-	108,967
Cemetery	-	-	252,471	-	252,471
Drug	-	-	-	2,332	2,332
Unassigned	283,174	-	-	-	283,174
Total fund balances	<u>305,442</u>	<u>108,967</u>	<u>252,471</u>	<u>2,332</u>	<u>669,212</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 560,657</u>	<u>\$ 108,967</u>	<u>\$ 252,471</u>	<u>\$ 2,332</u>	<u>\$ 924,427</u>

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

TOWN OF RIDGELY, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014

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

Total fund equity of governmental funds	\$ 669,212
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,275,607
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>11,267</u>
Net position of governmental activities	<u><u>\$ 1,956,086</u></u>

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

TOWN OF RIDGELY, TENNESSEE
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2014

	<u>MAJOR</u>			<u>NONMAJOR</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Cemetery Fund</u>	<u>Drug Fund</u>	
Revenues					
Local taxes	\$ 341,613	\$ -	\$ -	\$ -	\$ 341,613
Intergovernmental revenue	305,865	-	-	-	305,865
Charges for services	7,750	160,368	36,950	-	205,068
Fines, forfeitures and penalties	5,490	-	-	241	5,731
Other revenues	2,725	-	4,410	-	7,135
Total revenues	<u>663,443</u>	<u>160,368</u>	<u>41,360</u>	<u>241</u>	<u>865,412</u>
Expenditures					
Current					
General government	238,459	-	-	-	238,459
Police administration	291,486	-	-	-	291,486
Fire administration	11,484	-	-	-	11,484
Highways and streets	139,078	-	-	-	139,078
Cemetery	-	-	45,279	-	45,279
Sanitation	-	134,155	-	-	134,155
Total expenditures	<u>680,507</u>	<u>134,155</u>	<u>45,279</u>	<u>-</u>	<u>859,941</u>
Excess (deficit) of revenues over (under) expenditures	(17,064)	26,213	(3,919)	241	5,471
Other financing sources (uses)					
Transfers	20,000	-	-	-	20,000
Net change in fund balance	2,936	26,213	(3,919)	241	25,471
Fund balance - beginning of year	302,506	82,754	256,390	2,091	643,741
Fund balance - end of year	<u>\$ 305,442</u>	<u>\$ 108,967</u>	<u>\$ 252,471</u>	<u>\$ 2,332</u>	<u>\$ 669,212</u>

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

TOWN OF RIDGELY, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

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

Net change in fund balances of governmental funds	\$ 25,471
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. This is the amount by which capital outlay exceeded depreciation in the current period.	45,758
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(3,285)</u>
Change in net position of governmental activities	<u><u>\$ 67,944</u></u>

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

TOWN OF RIDGELY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Local taxes				
Property taxes	\$ 220,250	\$ 220,250	\$ 223,069	\$ 2,819
Ad valorem tax	20,534	20,534	18,864	(1,670)
Interest and penalties	2,200	2,200	2,096	(104)
Housing Authority in lieu of tax	7,506	7,506	7,168	(338)
TVA in lieu of tax	41,000	41,000	19,859	(21,141)
Local county sales tax	39,900	39,900	37,559	(2,341)
Wholesale beer tax	21,000	21,000	22,132	1,132
Minimum business tax	2,000	2,000	4,525	2,525
Cable TV franchise tax	6,400	6,400	6,341	(59)
Total local taxes	<u>360,790</u>	<u>360,790</u>	<u>341,613</u>	<u>(19,177)</u>
Intergovernmental revenues				
State sales tax	120,000	120,000	128,248	8,248
State telecommunications tax	-	-	181	181
State income tax	13,200	13,200	14,425	1,225
State beer tax	880	880	849	(31)
State excise tax	860	860	1,656	796
State gasoline and motor fuel tax	46,200	46,200	31,830	(14,370)
State gas 1989 tax	-	-	5,110	5,110
State gas 3 cent tax	-	-	9,484	9,484
State petroleum special	3,680	3,680	3,675	(5)
Police supplemental pay	-	-	2,400	2,400
Grant funds	149,298	149,298	108,007	(41,291)
Total intergovernmental revenues	<u>334,118</u>	<u>334,118</u>	<u>305,865</u>	<u>(28,253)</u>
Charges for services				
Rural fire fees	4,100	4,100	5,300	1,200
Rent income	1,375	1,375	2,450	1,075
Total charges for services	<u>5,475</u>	<u>5,475</u>	<u>7,750</u>	<u>2,275</u>
Fines, forfeitures and penalties				
City court fines	7,000	7,000	5,490	(1,510)
Other revenues				
Licenses and permits	900	900	368	(532)
Miscellaneous income	400	400	2,357	1,957
Total other revenues	<u>1,300</u>	<u>1,300</u>	<u>2,725</u>	<u>1,425</u>
Total revenues	<u>708,683</u>	<u>708,683</u>	<u>663,443</u>	<u>(45,240)</u>

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

TOWN OF RIDGELY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Expenditures				
General government				
Mayor and aldermen	3,600	3,600	3,600	-
Salaries and payroll taxes	42,841	42,841	44,413	1,572
Retirement	1,056	1,056	1,056	-
Hospital and health insurance	14,250	14,250	10,901	(3,349)
Insurance	6,900	6,900	7,023	123
Dues and donations	4,061	4,061	-	(4,061)
Utilities	11,200	11,200	11,228	28
Professional services	12,900	12,900	14,530	1,630
Repair and maintenance	4,500	4,500	3,712	(788)
Office supplies and expense	4,125	4,125	4,881	756
Dog pound expense	3,000	3,000	3,010	10
Travel and training	3,000	3,000	2,910	(90)
Library allotment	-	-	1,500	1,500
Publicity and advertisements	1,000	1,000	4,689	3,689
City beautification	1,200	1,200	1,257	57
Inspection fees	4,400	4,400	3,875	(525)
Data processing services	5,400	5,400	5,400	-
Capital outlay	143,299	143,299	110,514	(32,785)
Civic center expense	3,000	3,000	3,465	465
Miscellaneous	500	500	495	(5)
Total general government	<u>270,232</u>	<u>270,232</u>	<u>238,459</u>	<u>(31,773)</u>
Police administration				
Salaries and payroll taxes	205,652	205,652	207,706	2,054
Retirement	2,800	2,800	1,987	(813)
Hospital and health insurance	40,500	40,500	32,005	(8,495)
Insurance	16,500	16,500	15,406	(1,094)
Repair and maintenance	3,150	3,150	6,650	3,500
Operating supplies	2,600	2,600	2,435	(165)
Publicity and advertisements	1,000	1,000	232	(768)
Litigation taxes	1,100	1,100	653	(447)
Gas and oil	11,450	11,450	9,972	(1,478)
Utilities	4,900	4,900	4,254	(646)
Uniforms	1,750	1,750	2,078	328
Legal services	1,800	1,800	800	(1,000)
Travel	2,000	2,000	1,825	(175)
Capital outlay	5,000	5,000	5,393	393
Miscellaneous	500	500	90	(410)
Total police administration	<u>300,702</u>	<u>300,702</u>	<u>291,486</u>	<u>(9,216)</u>

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

TOWN OF RIDGELY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Fire administration				
Salaries and payroll taxes	4,103	4,103	3,568	(535)
Insurance	1,900	1,900	1,357	(543)
Operating supplies	1,000	1,000	600	(400)
Gas and oil	550	550	259	(291)
Utilities	3,250	3,250	4,122	872
Repairs and maintenance	500	500	777	277
Professional services	450	450	400	(50)
Capital outlay	5,000	5,000	401	(4,599)
Miscellaneous	950	950	-	(950)
Total fire administration	<u>17,703</u>	<u>17,703</u>	<u>11,484</u>	<u>(6,219)</u>
Highways, streets and roads				
Salaries and Payroll Taxes	20,243	20,243	19,239	(1,004)
Hospital and Health Insurance	14,250	14,250	8,729	(5,521)
Insurance	2,000	2,000	2,616	616
Operating supplies	5,300	5,300	6,374	1,074
Uniforms	1,050	1,050	1,248	198
Gas and oil	4,400	4,400	3,396	(1,004)
Utilities	225	225	205	(20)
Repairs and maintenance	1,000	1,000	973	(27)
Capital outlay	51,000	51,000	49,846	(1,154)
Miscellaneous	500	500	325	(175)
Total highways, streets and roads	<u>99,968</u>	<u>99,968</u>	<u>92,951</u>	<u>(7,017)</u>
State street aid				
Utility services	46,800	46,800	46,067	(733)
Capital outlay	-	-	60	60
Total state street aid	<u>46,800</u>	<u>46,800</u>	<u>46,127</u>	<u>(673)</u>
 Total expenditures	 <u>735,405</u>	 <u>735,405</u>	 <u>680,507</u>	 <u>(54,898)</u>
 Excess (deficit) of revenues over (under) expenditures	 (26,722)	 (26,722)	 (17,064)	 9,658
Other financing sources (uses)				
Transfer in - utility in lieu of tax	20,000	20,000	20,000	-
 Net change in fund balance	 (6,722)	 (6,722)	 2,936	 9,658
Fund balance - July 1, 2013	<u>302,506</u>	<u>302,506</u>	<u>302,506</u>	<u>-</u>
Fund balance - June 30, 2014	<u>\$ 295,784</u>	<u>\$ 295,784</u>	<u>\$ 305,442</u>	<u>\$ 9,658</u>

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

TOWN OF RIDGELY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SOLID WASTE FUND

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Garbage collection	\$ 159,400	\$ 159,400	\$ 160,368	\$ 968
Total revenues	<u>159,400</u>	<u>159,400</u>	<u>160,368</u>	<u>968</u>
Expenditures				
Contract services	44,000	44,000	30,727	(13,273)
Salaries and payroll taxes	58,013	58,013	56,033	(1,980)
Retirement	1,550	1,550	840	(710)
Hospital and health insurance	14,250	14,250	10,520	(3,730)
Professional services	850	850	850	-
Repair and maintenance	4,000	4,000	1,269	(2,731)
Utilities	600	600	517	(83)
Gas and oil	3,600	3,600	5,325	1,725
Operating supplies	2,500	2,500	1,881	(619)
Insurance	7,900	7,900	6,148	(1,752)
Landfill services	15,437	15,437	15,094	(343)
Data processing services	3,600	3,600	3,600	-
Uniforms	1,100	1,100	1,248	148
Capital outlay	2,000	2,000	-	(2,000)
Miscellaneous	-	-	103	103
Total expenditures	<u>159,400</u>	<u>159,400</u>	<u>134,155</u>	<u>(25,245)</u>
Excess (deficit) of revenues over (under) expenditures	-	-	26,213	26,213
Fund balance - July 1, 2013	<u>82,754</u>	<u>82,754</u>	<u>82,754</u>	<u>-</u>
Fund balance - June 30, 2014	<u><u>\$ 82,754</u></u>	<u><u>\$ 82,754</u></u>	<u><u>\$ 108,967</u></u>	<u><u>\$ 26,213</u></u>

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

TOWN OF RIDGELY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CEMETERY FUND

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Charges for services	\$ 26,000	\$ 26,000	\$ 26,241	\$ 241
Sale of cemetery lots	18,000	18,000	8,840	(9,160)
Monument permits	700	700	525	(175)
Interest income	1,970	1,970	900	(1,070)
Donations	3,600	3,600	3,510	(90)
Rent	1,500	1,500	1,344	(156)
Total revenues	<u>51,770</u>	<u>51,770</u>	<u>41,360</u>	<u>(10,410)</u>
Expenditures				
Legal notices and advertising	100	100	60	(40)
Postage	95	95	46	(49)
Utilities	1,350	1,350	1,254	(96)
Repair and maintenance	17,500	17,500	17,345	(155)
Operating supplies	400	400	235	(165)
Contract services	20,000	20,000	23,485	3,485
Professional services	800	800	800	-
Insurance	600	600	434	(166)
Miscellaneous	3,000	3,000	1,620	(1,380)
Capital outlay	1,500	1,500	-	(1,500)
Total expenditures	<u>45,345</u>	<u>45,345</u>	<u>45,279</u>	<u>(66)</u>
Excess (deficit) of revenues over (under) expenditures	6,425	6,425	(3,919)	(10,344)
Fund balance - July 1, 2013	<u>256,390</u>	<u>256,390</u>	<u>256,390</u>	<u>-</u>
Fund balance - June 30, 2014	<u><u>\$ 262,815</u></u>	<u><u>\$ 262,815</u></u>	<u><u>\$ 252,471</u></u>	<u><u>\$ (10,344)</u></u>

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

TOWN OF RIDGELY, TENNESSEE
STATEMENT OF NET POSITION
WATER AND SEWER
June 30, 2014

Assets

Current assets

Cash		\$ 185,442
Certificates of deposit		380,040
Accounts receivable (net)		73,401
Due from grantor		103,473
Inventory		25,352
Due from other funds		1,574
Other current assets		127
Total current assets		769,409

Noncurrent assets

Restricted assets

Temporarily restricted:		
Cash and cash equivalents		32,996

Capital assets (net of accumulated depreciation):

Land and improvements	84,340	
Furniture and equipment	6,791	
Utility plant in service	3,997,973	
Total capital assets		4,089,104

Total assets

4,891,509

Liabilities and Net Position

Current liabilities

Accounts Payable		2,775
Sales tax payable		3,112
Customer deposits		55,350
Total current liabilities		61,237

Noncurrent liabilities

Retainage payable	32,996	
Debt due within one year	43,229	
Debt due in more than one year	916,123	
Total noncurrent liabilities		992,348

Total liabilities

1,053,585

Net Position

Net investment in capital assets	3,096,756	
Restricted for debt service	24,195	
Unrestricted	716,973	

Total net position

\$ 3,837,924

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

TOWN OF RIDGELY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER AND SEWER FUND
For the Year Ended June 30, 2014

Operating revenues

Metered water sales		\$ 229,386
Metered sewer sales		112,489
Outside water sales		146,585
Service fees and forfeited discounts		23,143
Reconnect charges		4,500
Charges for services		10,625
Miscellaneous		15,816
Total revenues		542,544

Operating expenses

Salaries and payroll taxes	131,071	
Hospital and health insurance	20,694	
Retirement	3,453	
Utilities	37,565	
Gas and oil	7,423	
Data processing	6,850	
Repair and maintenance	34,052	
Office supplies	5,738	
Operating supplies	32,991	
Insurance	19,150	
Chemicals	39,032	
Uniforms	1,248	
Lab analysis	5,019	
Depreciation-water	109,518	
Depreciation-sewer	21,097	
Professional services	10,275	
Publicity and advertising	5,255	
Travel	887	
Miscellaneous	346	
Total operating expenses		491,664

Operating income (loss)

50,880

Non-operating revenues (expenses)

Interest income	1,281	
Transfers - in lieu of taxes	(20,000)	
Interest expense	(7,476)	
Total non-operating revenues (expenses)		(26,195)

Capital contributions - grants

254,277

Change in net position

278,962

Net position - July 1, 2013

3,558,962

Net position - June 30, 2014

\$ 3,837,924

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

TOWN OF RIDGELY, TENNESSEE
STATEMENT OF CASH FLOWS
WATER AND SEWER FUND
For the Year Ended June 30, 2014

Cash flows from operating activities		
Cash received from customers		\$ 535,420
Cash payments to suppliers		(190,819)
Cash payments to employees for services and benefits		(134,524)
Net cash provided by operating activities		<u>210,077</u>
Cash flows from non-capital financing activities		
Decrease in customer deposits	(130)	
Decrease in due to/due from accounts	(14,546)	
Transfer to general fund - payment in lieu of taxes	(20,000)	
Net cash used by non-capital financing activities		<u>(34,676)</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	(1,025,402)	
Proceeds from grant	150,804	
Proceeds from loan	734,036	
Payments on principal of long-term debt	(6,353)	
Interest payments on long-term debt	(7,476)	
Net cash used by capital and related financing activities		<u>(154,391)</u>
Cash flows from investing activities		
Redemption of certificates of deposits	72,787	
Interest received	1,281	
Net cash provided by investing activities		<u>74,068</u>
Net increase in cash and cash equivalents		95,078
Cash and cash equivalents - July 1, 2013		<u>123,360</u>
Cash and cash equivalents - June 30, 2014		<u><u>\$ 218,438</u></u>
Cash flows from operating activities		
Operating income (loss)		\$ 50,880
<i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</i>		
Depreciation	130,615	
Increase in net accounts receivable	(7,124)	
Increase in accounts payable	2,775	
Decrease in sales tax payable	(65)	
Increase in retainage payable	32,996	
Total adjustments		<u>159,197</u>
Net cash provided by operating activities		<u><u>\$ 210,077</u></u>

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

TOWN OF RIDGELY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Ridgely, Tennessee, was incorporated in the year 1909. The Town operates under a mayor-aldermen form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, public improvements, planning and zoning, and general administrative services.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Town are described below.

A. Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is a fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town has no component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net positions and the statement of activities) report information on all of the non-fiduciary activities of the primary government. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, 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 are offset by program revenues. 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 program revenues are reported instead as general revenues.

TOWN OF RIDGELY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flow. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

In general, taxes, licenses, federal and state grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The general fund is the government'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 solid waste fund accounts for the activities of the government's sanitation operations.

The cemetery fund accounts for the activities of the government's cemetery operations.

TOWN OF RIDGELY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

The Town reports the following major proprietary fund:

The water and sewer fund accounts for the activities associated with the water distribution system and the activities associated with the Town's collection, transportation, treatment and disposal of wastewater.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of tax and other charges between the government's utility divisions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of all of the Town's enterprise funds are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. The utility funds recognize income based on cycle billings. This results in recognizing as income the water usage through each respective cycle each month, which may not coincide with the last day of the fiscal year. Non-recognition of income from water sales as a result of cycle billing is a common industry practice. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The cost of purchased water is accrued based on the final meter reading of the fiscal year. This may result in unrecognized expenses for the period between the final billing and the end of the fiscal year. This practice is consistent with industry guidelines and does not differ significantly from generally accepted accounting principles.

D. Assets, Liabilities and Net Position or Equity

Deposits and Investments

The Town's cash and cash equivalents are considered to be all deposits with financial institutions, including restricted deposits, and highly liquid investments with original maturities of three months or less. State statutes authorize the Town to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. Government or its agencies, repurchase agreements and the state's investment pool.

TOWN OF RIDGELY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

Property taxes are levied as of October 1 of each year and attach as an enforceable lien on property as of January 1. Tax bills are mailed on October 1. Payment due dates run from October 1 to February 28. Delinquent date is March 1. The Town is permitted by the Municipal Finance Law of the State to levy taxes up to \$2 per \$100 of assessed valuation for general government services. The Town's property tax rate was \$1.77 for the 2014 assessment and \$1.77 for the 2013 assessment. The Town bills and collects its own property taxes, and tax revenues are recognized when levied to the extent that they result in current receivables. The Town reports its property taxes receivable net of an allowance for doubtful accounts, which was \$1,000 at June 30, 2014.

The Water and Sewer Fund uses an allowance for doubtful accounts to allow for potentially uncollectible accounts. Accounts are considered delinquent if due before June 30 and not paid. The allowance account had a balance of \$5,799 at June 30, 2014.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Inventories and Prepaid Items

Inventory records are not maintained on a perpetual basis. The Town takes a physical inventory at fiscal year-end, which is recorded at cost using the first-in/first-out (FIFO) method. Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain cash balances of the Town are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by certain agreements and contracts with third parties. For the year ended June 30, 2014, \$22,268 has been restricted for State Street Aid. This amount is restricted for street repairs and maintenance in accordance with state law. The Town elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

Capital Assets

Capital assets, including property, plant, vehicles, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 for equipment and for infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

TOWN OF RIDGELY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year under examination, there were no interest costs capitalized.

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

Buildings	40 - 70 years
Vehicles and equipment	5 - 30 years
Furniture and fixtures	5 - 10 years
Infrastructure	20 - 50 years

Compensated Absences

The Town provides paid vacation annually for employees with at least one year of service. Vacation time can be accumulated; but, no liability has been accrued in these financial statements due to the immaterial amount of the estimated liability. The Town's sick leave policy states that employees are entitled to one day of sick leave per month. There is not a limit on sick hours accumulated, but no payments for accumulated sick leave are made at the termination of employment.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Impact of Recently Issued Accounting Pronouncements

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. This statement resulted in the classification of unavailable revenue – property tax to deferred inflows of resources as compared to previously being presented as a liability.

TOWN OF RIDGELY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has property taxes reported as receivables in the statements of financial position before the period for which they were levied are unavailable and recognized as an inflow of resources in the period that the amounts become available. This item is reported as unavailable revenue in both the governmental funds balance sheet and the statement of net position.

Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable fund balance

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

Committed fund balance

This classification includes amounts that can only be used for the specific purposes determined by a formal ordinance of the Town’s highest level of decision-making authority, the Board of Aldermen of the Town. Commitments may be changed or lifted only by the Town taking the same formal action that imposed the constraint originally by ordinance.

TOWN OF RIDGELY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Assigned fund balance

This classification includes amounts intended to be used by the Town for specific purposes that are neither restricted or committed. The Board and its designees (of which there are none) have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned fund balance

This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Use of Estimates

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

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between fund equity – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of the \$1,275,607 difference are as follows:

Governmental funds capital assets	\$ 1,669,778
Less: accumulated depreciation	<u>(394,171)</u>
Net adjustment to increase fund equity – total governmental funds to arrive at net position – governmental activities	<u><u>\$ 1,275,607</u></u>

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of the \$11,267 are as follows:

Deferred revenue – property tax for governmental funds	\$ 253,123
Less: Deferred revenue – property tax for governmental activities	<u>(241,856)</u>
Difference in deferred revenue to increase fund equity – total governmental funds	<u><u>\$ 11,267</u></u>

TOWN OF RIDGELY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Equity and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund equity includes a reconciliation between *net change in fund equity – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.” The details of this \$45,758 difference are as follows:

Capital outlay	\$ 109,797
Depreciation expense	<u>(64,039)</u>
Net adjustment	<u>\$ 45,758</u>

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$(3,285) are as follows:

Difference in property tax revenue due to current year deferral	<u>\$ (3,285)</u>
---	-------------------

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Town utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

1. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.
2. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
3. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Invested Funds

Custodial Credit Risk - The Town’s policies limit deposits and investments to those instruments allowed by applicable state laws as described in Note 1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be insured by federal depository insurance or the Tennessee Bank Collateral Pool, or collateralized by collateral held by the Town’s agent in the

TOWN OF RIDGELY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Town's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Town to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2014, all bank deposits were fully collateralized or insured.

B. Interfund receivables, payables and transfers

<u>Receivables:</u>	<u>Payables:</u>
Water and Sewer (major) <u>\$ 1,574</u>	General (major) <u>\$ 1,574</u>

All interfund balances at year end were payroll-related and will be paid in the next fiscal year. In addition, the water and sewer fund transferred \$20,000 to the general fund for payment in lieu of taxes during the fiscal year.

C. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 347,700	\$ -	\$ -	\$ 347,700
Construction in progress	<u>20,138</u>	-	<u>20,138</u>	-
Total capital assets not being depreciated	367,838	-	20,138	347,700
Capital assets, being depreciated				
General infrastructure	565,141	129,936	-	695,077
Buildings	221,521	-	-	221,521
Furniture and equipment	<u>405,480</u>	-	-	<u>405,480</u>
Total capital assets being depreciated	<u>1,192,142</u>	<u>129,936</u>	-	<u>1,322,078</u>
Less accumulated depreciation for:				
General infrastructure	65,477	29,346	-	94,823
Buildings	59,230	5,442	-	64,672
Furniture and equipment	<u>205,425</u>	<u>29,251</u>	-	<u>234,676</u>
Total accumulated depreciation	<u>330,132</u>	<u>64,039</u>	-	<u>394,171</u>
Total capital assets being depreciated, net	<u>862,010</u>	<u>65,897</u>	-	<u>927,907</u>
Governmental activities capital assets, net	<u>\$ 1,229,848</u>	<u>\$ 65,897</u>	<u>\$ 20,138</u>	<u>\$ 1,275,607</u>

TOWN OF RIDGELY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 84,340	\$ -	\$ -	\$ 84,340
Construction in progress	266,300	-	266,300	-
Total capital assets, not being depreciated	350,640	-	266,300	84,340
Capital assets, being depreciated				
Furniture and equipment	176,782	588	16,627	160,743
Water plant in operation	4,009,201	1,277,514	-	5,286,715
Sewer plant in operation	1,179,039	13,600	-	1,192,639
Total capital assets, being depreciated	5,365,022	1,291,702	16,627	6,640,097
Less accumulated depreciation for:				
Furniture and equipment	166,104	4,475	16,627	153,952
Water plant in operation	1,397,644	105,043	-	1,502,687
Sewer plant in operation	957,597	21,097	-	978,694
Total accumulated depreciation	2,521,345	130,615	16,627	2,635,333
Total capital assets, being depreciated, net	2,843,677	1,161,087	-	4,004,764
Business-type activities capital assets, net	\$ 3,194,317	\$ 1,161,087	\$ 266,300	\$ 4,089,104

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

Governmental activities:	
General	\$ 50,032
Public safety	10,692
Highway and streets	3,315
Total depreciation expense - governmental activities	\$ 64,039
Business-type activities:	
Water and sewer	\$ 130,615

TOWN OF RIDGELY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

D. Long-Term Debt

Business Activities:

The Water and Sewer Fund had the following long-term liabilities outstanding at June 30, 2014:

Type	Issue Date	Term	Interest Rate	Balance
1999 Revenue/Tax Bonds	12/99	38 years	3.25%	\$225,316
State Revolving Fund Loan	10/13	20 years	.01%	734,036
Total Long-Term Liabilities				\$ 959,352

The 1999 Series Revenue and Tax Bond is payable in monthly installments of principal and interest due the first of each month. The bond is secured by fixed assets of the Water and Sewer Fund. The following is a summary of future debt service requirements, principal and interest, for the long-term debt of the Town of Ridgely:

	<u>Principal</u>	<u>Interest</u>
Year ending June 30, 2015	\$ 43,229	\$ 7,298
Year ending June 30, 2016	43,450	7,077
Year ending June 30, 2017	43,677	6,849
Year ending June 30, 2018	43,912	6,615
Year ending June 30, 2019	44,154	6,373
Years ending June 30, 2020 – 2024	224,688	27,945
Years ending June 30, 2025 – 2029	232,043	20,590
Years ending June 30, 2030 – 2034	240,677	11,956
Years ending June 30, 2035 – 2038	<u>43,522</u>	<u>2,456</u>
Total Governmental and Business Activities	<u>\$959,352</u>	<u>\$ 97,159</u>

Changes in long-term liabilities for the year ended June 30, 2014, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities:					
1999 Revenue Bond (91-07)	\$ 231,669	\$ -	\$ 6,353	225,316	\$ 6,562
State Revolving Fund Loan	-	734,036	-	734,036	36,667
Totals	<u>\$ 231,669</u>	<u>\$ 734,036</u>	<u>\$ 6,353</u>	<u>\$ 959,352</u>	<u>\$ 43,229</u>

TOWN OF RIDGELY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 – OTHER INFORMATION

A. Risk Management

The Town joined the Local Government Insurance Cooperative and Coregis Insurance Company, which are public entity risk pools established to provide insurance coverage to local governments in Tennessee. The Town pays annual premiums to the pools for automobile liability, law enforcement liability, employer's liability, workers' compensation insurance coverage, property insurance, comprehensive general liability and public officials' liability. The pools reinsure through commercial insurance companies for claims in excess of established amounts for each insured event. The Town continues to carry commercial insurance for all other risks of loss. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

Supplementary and Other Information

TOWN OF RIDGELY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUND - DRUG FUND
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fines, forfeitures and penalties	\$ -	\$ -	\$ 241	\$ 241
Expenditures				
Operating supplies	500	500	-	(500)
Excess (deficit) of revenues over (under) expenditures	(500)	(500)	241	741
Fund balance - July 1, 2013	2,091	2,091	2,091	-
Fund balance - June 30, 2014	\$ 1,591	\$ 1,591	\$ 2,332	\$ 741

See independent auditor's report

TOWN OF RIDGELY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

<u>Grantor Agency/ Pass-through Agency/ Program Name</u>	<u>CFDA #</u>	<u>Grant Number</u>	<u>(Receivable) Unearned Balance July 1, 2013</u>	<u>Adjustments</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>(Receivable) Unearned Balance June 30, 2014</u>
US Dept. of Housing and Urban Development / TN Dept. of Economic and Community Development / Community Development Block Grant CDBG Water System Rehabilitation	14.228	GG-11-37155-00	\$ -	\$ -	\$ 254,277	\$ 254,277	\$ -
US Department of Transportation / TN Department of Transportation / Highway Planning and Construction ARRA Downtown Enhancement Grant	20.205	ARRA/STP-EN-4800(12) #48LPLM-F3-004	-	(1,000)	1,000	-	-
US Department of Transportation / TN Department of Transportation / Highway Planning and Construction Safe Routes to School	20.205	SRTS-9418(11) 48LPLM-F3-006	(6,108)	-	108,435	102,327	-
US Department of Transportation / TN Department of Transportation / Governors Highway Safety Office High Visibility Law Enforcement Campaigns	20.607	Z14GHS286 154AL-14-249	-	-	4,681	4,681	-
			<u>\$ (6,108)</u>	<u>\$ (1,000)</u>	<u>\$ 368,393</u>	<u>\$ 361,285</u>	<u>\$ -</u>

Basis of Presentation:

Note 1: The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of the Town of Ridgely under programs of the federal and state governments for the year ended 6/30/14. The schedule is presented using the modified accrual basis of accounting.

See independent auditor's report

TOWN OF RIDGELY, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2014

Grantor Agency/ Pass-through Agency/ Program Name	Grant Number	Expenditures
Tennessee Dept. of Environment & Conservation State Revolving Fund Loan Program Capitalization Grants for Drinking Water	DWF 2014-137	\$ <u>734,036</u>

Basis of Presentation:

Note 1: The accompanying Schedule of State Financial Assistance summarizes the expenditures of the Town of Ridgely under programs of the state government for the year ended 6/30/14. The schedule is presented using the modified accrual basis of accounting.

TOWN OF RIDGELY, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2014

Year Ended	Water and Sewer State Revolving Loan Water Wells		Water and Sewer Revenue and Tax Bonds - 98 Series		TOTAL DEBT SERVICE
	Principal	Interest	Principal	Interest	
2015	36,667	72	\$ 6,562	\$ 7,226	\$ 50,527
2016	36,671	68	6,779	7,009	50,527
2017	36,674	64	7,003	6,785	50,526
2018	36,678	61	7,234	6,554	50,527
2019	36,682	57	7,472	6,316	50,527
2020	36,685	53	7,719	6,069	50,526
2021	36,689	50	7,973	5,815	50,527
2022	36,693	46	8,236	5,552	50,527
2023	36,696	42	8,508	5,280	50,526
2024	36,700	39	8,789	4,999	50,527
2025	36,704	35	9,079	4,709	50,527
2026	36,707	31	9,378	4,410	50,526
2027	36,711	28	9,687	4,101	50,527
2028	36,715	24	10,007	3,781	50,527
2029	36,718	20	10,337	3,451	50,526
2030	36,722	17	10,678	3,110	50,527
2031	36,726	13	11,030	2,758	50,527
2032	36,729	9	11,394	2,394	50,526
2033	36,733	6	11,770	2,018	50,527
2034	36,736	2	12,159	1,629	50,526
2035			12,560	1,228	13,788
2036			12,974	814	13,788
2037			13,402	386	13,788
2038			4,586	28	4,614
Totals	\$ 734,036	\$ 737	\$ 225,316	\$ 96,422	\$ 1,056,511

See independent auditor's report

**TOWN OF RIDGELY, TENNESSEE
SCHEDULE OF PROPERTY TAXES**

June 30, 2014

<u>Year of Levy</u>	<u>Balance July 1, 2013</u>	<u>Assessments/ Adjustments</u>	<u>Collections</u>	<u>Balance June 30, 2014</u>
2013	\$ -	\$ 241,856	\$ 230,799	\$ 11,057
2012	13,144	-	11,611	1,533
2011	2,192	-	2,192	-
2010	630	-	630	-
Total	<u>\$ 15,966</u>	<u>\$ 241,856</u>	<u>\$ 245,232</u>	12,590

Estimated 2014 levy due October 1, 2014

considered as unavailable revenue

223,047

Estimated 2014 ad valorem taxes

18,809

Allowance for uncollectible accounts

(1,000)

Total taxes receivable

\$ 253,446

<u>Year of Levy</u>	<u>Property Value</u>	<u>Assessed Valuation</u>	<u>Tax Rate Per \$100</u>	<u>Assessments</u>
2013	\$44,211,709	\$12,602,156	\$1.77	\$223,047
2012	\$43,991,828	\$12,539,287	\$1.77	\$221,939
2011	\$43,085,809	\$12,311,089	\$1.77	\$217,906
2010	\$43,364,123	\$12,493,820	\$1.67	\$208,643
2009	\$43,159,983	\$12,445,149	\$1.67	\$207,831
2008	\$38,149,187	\$10,915,004	\$1.75	\$191,013
2007	\$38,061,062	\$10,882,318	\$1.67	\$181,731
2006	\$37,379,968	\$10,671,402	\$1.67	\$178,212
2005	\$36,646,943	\$10,498,620	\$1.67	\$175,335

See independent auditor's report

TOWN OF RIDGELY, TENNESSEE
SCHEDULE OF UTILITY RATES
 June 30, 2014

Water Rates	Town	Rural
Minimum charge	\$15.24	\$23.51
Additional charges:		
2,000 – 10,000 gallons	\$3.21 per thousand	\$4.81 per thousand
10,000 – 20,000 gallons	\$3.21 per thousand	\$4.81 per thousand
20,000 – 40,000 gallons	\$3.21 per thousand	\$4.81 per thousand
over 40,000 gallons	\$3.21 per thousand	\$4.81 per thousand
Sewer Rates	Town	Rural
Minimum charge	\$9.94	\$14.86
Additional charges:		
2,000 – 10,000 gallons	\$2.99 per thousand	\$3.48 per thousand
10,000 – 20,000 gallons	\$2.99 per thousand	\$3.48 per thousand
20,000 – 40,000 gallons	\$2.99 per thousand	\$3.48 per thousand
over 40,000 gallons	\$2.99 per thousand	\$3.48 per thousand

At June 30, 2014, there were 880 water customers, 590 sewer customers and 575 sanitation customers.

AWWA WLCC Free Water Audit Software: Reporting Worksheet

[Back to Instructions](#)

[?](#) Click to access definition

Water Audit Report for: **Ridgely Water Department**
 Reporting Year: **2014** | 7/2013 - 6/2014

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (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

WATER SUPPLIED << Enter grading in column 'E'

Volume from own sources:	?	9	92.869	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	?	7	0.093	over-registered MG/Yr
Water imported:	?	n/a	0.000	MG/Yr
Water exported:	?	n/a	0.000	MG/Yr
WATER SUPPLIED:			92.776	MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	?	7	63.961	MG/Yr
Billed unmetered:	?	n/a	0.000	MG/Yr
Unbilled metered:	?	n/a	0.000	MG/Yr
Unbilled unmetered:	?	9	3.641	MG/Yr
AUTHORIZED CONSUMPTION:			67.602	MG/Yr

Pcnt: 1.25% | Value: 3.641

Click here: [?](#) for help using option buttons below

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption) 25.174 MG/Yr

Apparent Losses

Unauthorized consumption:	?		0.232	MG/Yr
Customer metering inaccuracies:	?	7	3.366	MG/Yr
Systematic data handling errors:	?	7	0.320	MG/Yr
Apparent Losses:			3.918	

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Pcnt: 0.25% | Value:

5.00% | Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:	?		21.256	MG/Yr
WATER LOSSES:			25.174	MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER:	?		28.815	MG/Yr
---------------------------	-------------------	--	--------	-------

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	?	7	90.0	miles
Number of active AND inactive service connections:	?	9	900	
Connection density:	?		10	conn./mile main
Average length of customer service line:	?	10	0.0	ft (pipe length between curbside and customer meter or property boundary)
Average operating pressure:	?	7	55.0	psi

COST DATA

Total annual cost of operating water system:	?	7	\$381,885	\$/Year
Customer retail unit cost (applied to Apparent Losses):	?	9	\$7.72	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	?	9	\$746.10	\$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	31.1%
Non-revenue water as percent by cost of operating system:	12.8%
Annual cost of Apparent Losses:	\$30,249
Annual cost of Real Losses:	\$15,859

Operational Efficiency Indicators

Apparent Losses per service connection per day:	11.93	gallons/connection/day
Real Losses per service connection per day*:	N/A	gallons/connection/day
Real Losses per length of main per day*:	647.05	gallons/mile/day
Real Losses per service connection per day per psi pressure:		gallons/connection/day/psi
Unavoidable Annual Real Losses (UARL):	12.48	million gallons/year
From Above, Real Losses = Current Annual Real Losses (CARL):	21.26	million gallons/year
Infrastructure Leakage Index (ILI) [CARL/UARL]:	1.70	

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

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 79 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:

- Master meter error adjustment
- Billed metered
- Volume from own sources

[For more information, click here to see the Grading Matrix worksheet](#)

Internal Control and Compliance

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



Certified Public Accountants
Offices in Tennessee & Kentucky

185 North Church St.
Dyersburg, TN 38024

Phone 731.285.7900
Fax 731.285.6221
www.atacpa.net

**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

The Honorable Mayor and Board of Aldermen
Town of Ridgely, Tennessee 38080

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Ridgely, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Ridgely, Tennessee's basic financial statements and have issued our report thereon dated November 19, 2014.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 1990-002 and 2009-001 that we consider to be significant deficiencies.

The Honorable Mayor and Board of Aldermen
Town of Ridgely, Tennessee

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ridgely'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 noted no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

In addition, we noted other matters involving the internal control and its operation that we reported to the management of the Town of Ridgely in a separate letter dated November 19, 2014.

Town of Ridgely's Response to Findings

The Town of Ridgely's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Ridgely'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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alexander Thompson Arnold PLLC

Dyersburg, Tennessee
November 19, 2014

TOWN OF RIDGELY, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2014

Financial Statement Findings

1990-002 Segregation of Duties-Significant Deficiency

Condition: The Town of Ridgely's two bookkeepers work together in performing the accounting duties for the Town. At present, the two bookkeepers write and sign the checks for all disbursements of the Town. The checks are then presented to either the Mayor or an alderman for a second signature.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: For adequate separation of duties, the employee who writes receipts, prepares and makes bank deposits, or writes checks should neither reconcile bank statements nor post to the cash receipts and disbursements journals. However, the staff size will not allow the Town to segregate the duties to the optimum level desired.

Response: There are only two employees working in the department so it is virtually impossible to segregate duties unless more staff could be hired and due to the finances of our small town we could not financially hire additional office help.

2009-001 Related Party Payable-Significant Deficiency

Condition: During our audit, we noted documentation that an alderman and an employee for the year ended June 30, 2014 owed for unpaid property taxes and other assessments for the 2012 and/or 2013 assessment years as of June 30, 2014.

Criteria: Related parties are prohibited from having outstanding debt to the municipality.

Effect: The Town's officials must serve as an example for the community. The municipality relies on the collection of property taxes and other receipts to fund programs and meet its financial obligations.

Recommendation: We recommend that the alderman and employee promptly pay all outstanding payables.

Response: All delinquent taxes will be turned over to the city attorney for collection per state law, including any related party obligations. As of September 30, 2014, the employee receivable had been paid in full.

TOWN OF RIDGELY, TENNESSEE
SCHEDULE OF PRIOR FINDINGS
For the Year Ended June 30, 2014

Prior Year Financial Statement Findings

Significant Deficiencies

1990-002 Segregation of Duties

This finding was repeated.

2009-001 Related Party Payable

This finding was repeated.