

TOWN OF OLIVER SPRINGS, TENNESSEE

**BASIC FINANCIAL STATEMENTS
WITH REQUIRED AND OTHER
SUPPLEMENTARY INFORMATION**

For the Fiscal Year Ended June 30, 2012

and

INDEPENDENT AUDITOR'S REPORT

TOWN OF OLIVER SPRINGS, TENNESSEE
 BASIC FINANCIAL STATEMENTS
 WITH REQUIRED AND OTHER SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

<u>INTRODUCTORY SECTION</u>	<u>Page</u>
Letter of Transmittal	1 – 2
List of Principal Officials	3
 <u>FINANCIAL SECTION</u>	
Independent Auditor's Report	4 – 5
Required Supplementary Information: Management's Discussion and Analysis	6 – 15
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	16 – 17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	22
Statement of Net Assets – Proprietary Funds	23 – 24
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds	26 – 27
Major Governmental Funds:	
General Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	28 – 38
Notes to Basic Financial Statements	39 – 56
Required Supplementary Information: Schedule of Funding Progress	57

TOWN OF OLIVER SPRINGS, TENNESSEE
BASIC FINANCIAL STATEMENTS
WITH REQUIRED AND OTHER SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS (Continued)

<u>FINANCIAL SECTION (Continued)</u>	<u>Page</u>
Other Supplementary Information:	
Schedule of Expenditures of Federal and State Awards	58
Balance Sheet – Nonmajor Governmental Funds	59
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Governmental Funds	60
Schedule of Long-Term Principal and Interest Requirements by Issue – Governmental Activities	61
Schedule of Long-Term Principal and Interest Requirements by Issue – Business-Type Activities	62
Schedule of Utility Plant:	
Water and Sewer Department	63
Schedule of Changes in Property Taxes Receivable	64
Schedule of Insurance in Force and Bonds of Principal Officials	65
Analysis of Tax Rates and Assessments	66
Utility Rate Structure and Number of Customers:	
Water and Sewer Department	67
 <u>OTHER STATISTICAL SCHEDULES (Unaudited)</u>	
AWWA Reporting Worksheet	68
Miscellaneous Statistical Data	69
 <u>INTERNAL CONTROL AND COMPLIANCE SECTION</u>	
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>	70 – 74
Summary Schedule of Prior Audit Findings	75

INTRODUCTORY SECTION

Chris Hepler

Mayor

Joseph Van Hook

City Recorder/Judge

Tina Treece

City Manager

Ramona Walker

Court Clerk/Finance Officer

Town of Oliver Springs

717 Main Street - P.O. Box 303

Oliver Springs, TN 37840

Ph (865) 435-7722 Fax (865) 435-4881

Aldermen

Gary Stinnett

Maurice Walker

Omer Cox

Terry Craze

Terry Holland

James Brummett

Board of Mayor and Aldermen
Town of Oliver Springs, Tennessee

Dear Honorable Mayor and Board of Aldermen:

We are submitting the basic financial statements with required and other supplementary information for the fiscal year ended June 30, 2012. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Town's management. We believe the data, as presented, is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of operation of the Town as measured by the financial activity of its various funds, and includes all disclosures necessary to enable the reader to gain maximum understanding of the Town's financial activities.

Brown Jake & McDaniel, PC, a firm of licensed certified public accountants, have audited the Town's basic financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Town for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the basic financial statement; assessing the accounting principals used and significant estimates made by management; and evaluating the overall basic financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town's basic financial statements for the year ended June 30, 2012, are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found as the second component of the financial section of this report.

The basic financial statements with required and other supplementary information is presented in three sections: 1) the introductory section, which contains the transmittal letter and a listing of principal officials; 2) the financial section, which consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, the fund financial statements, required supplementary information and other supplementary information; and 3) the internal control and compliance section, which contains reporting issued by the auditor.

This report includes all funds required of the Town. The Town provides a full range of services including Police and Fire Protection, Highways and Streets, Sanitation and Solid Waste, Recreational Activities, Water, Sewer and General Administrative Services.

Management of the Town is responsible for establishing and maintaining an internal control structure designed to insure that the assets of the government are protected from loss, theft, or misuse and to insure that

adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of the control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

The Town is responsible for insuring that an adequate internal control structure is in place to insure compliance with applicable laws and regulations related to the operations of the Town. This internal control structure is subject to periodic evaluation by management.

In addition, the Town maintains budgetary controls. The objective of these budgetary controls is to insure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Mayor and Aldermen. Activities of the General Fund, Special Revenue Funds and Capital Projects Fund are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level.

The State requires an annual audit of our basic financial statements by an independent certified public accountant. Accordingly, this year's audit was completed by Brown Jake & McDaniel, PC. In addition to meeting the State requirements, the audit was also designed to meet Federal audit requirements.

Respectfully submitted,

TOWN OF OLIVER SPRINGS

Ramona Walker
City Finance Officer

TOWN OF OLIVER SPRINGS, TENNESSEE

LIST OF PRINCIPAL OFFICIALS

For the Fiscal Year Ended June 30, 2012

<u>Name</u>	<u>Office</u>
Chris Hepler	Mayor
James Brummett	Alderman
Omer Cox	Alderman
Terry Craze	Alderman
Gary Stinnett	Alderman
Joseph Van Hook	Recorder/Judge
Ramona Walker	City Finance Officer
Tina Treece	City Manager

FINANCIAL SECTION

BROWN JAKE & McDANIEL, PC

CERTIFIED PUBLIC ACCOUNTANTS
2607 KINGSTON PIKE, SUITE 110
KNOXVILLE, TENNESSEE 37919-3336
865/637-8600 • fax: 865/637-8601

JOE L. BROWN, CPA, CGFM, CGMA
FRANK D. McDANIEL, CPA, CGFM, CGMA
TERRY L. MOATS, CPA, CGFM, CGMA
JAMES E. BOOHER, CPA, CGMA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Mayor and Board of Aldermen
Town of Oliver Springs, Tennessee

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 Oliver Springs, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Oliver Springs, Tennessee's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the respective budgetary comparison for the General Fund of the Town of Oliver Springs, Tennessee at June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2013 on our consideration of the Town of Oliver Springs, 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 the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 15 and the required supplementary information on page 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Oliver Springs, Tennessee's financial statements as a whole. The introductory section and other supplementary information within the financial section are presented for purposes of additional analysis and are not a required part of the financial statements of the Town of Oliver Springs, Tennessee. The other supplementary information, including the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The other supplementary information and the schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and other statistical schedules in the foregoing table of contents 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 it.

Brown Lake + McDaniel, PC

February 25, 2013

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Oliver Springs, Tennessee's (the Town) financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Town's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2012 are as follows:

Governmental-Type Activities

The net assets of the Town increased by \$119,710. This increase was mainly due to a decrease in General Fund expenditures from the prior year.

General revenues accounted for \$1,592,131 or 75.4 percent of total revenue. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$518,446 or 24.6 percent of total revenues of \$2,110,577.

Among major funds, the General Fund had \$1,794,454 in revenues and \$1,761,829 in expenses and transfers. The fund balance for the General Fund increased by \$32,625 from 2011.

Business-Type Activities

The Water and Sewer Fund's net utility plant decreased by \$316,568 or 4.4 percent.

The Water and Sewer Fund's net assets decreased by \$48,828 or 0.7 percent.

During the year, the Water and Sewer Fund's operating revenues increased by \$19,885 or 1.6 percent.

During the year, the Water and Sewer Fund's total expense decreased by \$10,728 or 0.8 percent.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Town as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The **Statement of Net Assets** and **Statement of Activities** provide information about the activities of the Town, presenting both an aggregate view of the Town's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Town's most significant funds with all other nonmajor funds presented in one column. In the case of the Town, the General Fund is by far the most significant fund. The Town's business-type activities consist of utility distribution services for water and wastewater treatment provided by the Water and Sewer Fund.

The other required financial statement is the **Statement of Cash Flows**. The primary purpose of this statement is to provide information about the Town's business-type activities, cash receipts and cash

payments during the reporting period. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities; and provides answers to such questions as "where did cash come from?", "what was cash used for?" and "what was the change in cash balance during the reporting period?"

REPORTING THE TOWN AS A WHOLE

The *Statement of Net Assets* and the *Statement of Activities*

While this document contains the funds used by the Town to provide programs and activities, the view of the Town as a whole looks at all financial transactions and asks the question, "how did we do financially during 2012?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Town as a whole, the financial position of the Town has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the Town's tax base, facility condition, required educational programs and other factors.

In the *Statement of Net Assets* and the *Statement of Activities*, the Town reports governmental activities and business-type activities. Governmental activities are the activities where most of the Town's programs and services are reported, including, but not limited to, general services, public safety, highways and streets, and recreation. The Town of Oliver Springs has one business-type activity, the Water and Sewer Fund. It provides water and wastewater services to the Town and adjacent areas of Roane, Anderson and Morgan Counties.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the Town's major funds. The Town uses several funds to account for a range of financial transactions. However, these fund financial statements focus on the Town's most significant funds. The Town's major governmental fund is the General Fund.

Governmental Funds

All of the Town's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending in future periods. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance Town general services. The relationship (or differences) between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

THE TOWN AS A WHOLE

The *Statement of Net Assets* provides the perspective of the Town as a whole. Table 1 provides a summary of the Town of Oliver Springs' net assets for 2012 and 2011.

Table 1
Net Assets

<u>ASSETS</u>	<u>Governmental-Type Activities</u>		<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 1,004,299	\$ 937,505	\$ 756,911	\$ 667,085
Capital assets	1,871,535	1,836,824	6,814,141	7,130,709
Total assets	<u>\$ 2,875,834</u>	<u>\$ 2,774,329</u>	<u>\$ 7,571,052</u>	<u>\$ 7,797,794</u>
<u>LIABILITIES</u>				
Long-term liabilities	\$ 299,281	\$ 326,046	\$ 880,165	\$ 1,056,172
Other liabilities	469,081	460,521	188,250	190,157
Total liabilities	<u>\$ 768,362</u>	<u>\$ 786,567</u>	<u>\$ 1,068,415</u>	<u>\$ 1,246,329</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	\$ 1,611,535	\$ 1,546,824	\$ 5,933,976	\$ 6,074,537
Restricted	107,457	78,469	35,000	35,000
Unrestricted	388,480	362,469	533,661	441,928
Total net assets	<u>\$ 2,107,472</u>	<u>\$ 1,987,762</u>	<u>\$ 6,502,637</u>	<u>\$ 6,551,465</u>

Table 2 provides a summary of the Town of Oliver Springs' changes in net assets for 2012 and 2011.

	Governmental-Type Activities		Business-Type Activities	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenue:				
Program revenue:				
Charges for services	\$ 251,029	\$ 272,938	\$ 1,295,257	\$ 1,275,372
Operating grants and contributions	179,562	502,854	-	-
Capital grants and contributions	87,855	99,692	-	71,167
General revenue:				
Taxes:				
Sales taxes	801,613	754,650	-	-
Property taxes	399,503	408,360	-	-
In-lieu of tax	99,891	95,379	-	-
Wholesale beer tax	147,015	141,163	-	-
Income tax	7,091	6,942	-	-
Gas taxes	6,631	7,051	-	-
Other taxes	78,641	85,210	-	-
Interest earned	1,376	2,773	314	19
Miscellaneous	50,370	30,667	-	-
Total revenue	<u>2,110,577</u>	<u>2,407,679</u>	<u>1,295,571</u>	<u>1,346,558</u>
Program expenses:				
General government	689,683	694,548	-	-
Public safety	710,133	727,936	-	-
Drug enforcement	28,169	25,544	-	-
Highways and streets	185,086	222,502	-	-
State street aid	75,666	224,734	-	-
Sanitation	128,595	123,661	-	-
Culture and recreation	70,245	74,251	-	-
Health, welfare and social services	41,359	36,211	-	-
Community development	61,931	401,336	-	-
Utilities	-	-	1,344,399	1,355,127
Interest and fiscal charges	-	495	-	-
Total program expenses	<u>1,990,867</u>	<u>2,531,218</u>	<u>1,344,399</u>	<u>1,355,127</u>
Increase (decrease) in net assets	119,710	(123,539)	(48,828)	(8,569)
Net assets, beginning	<u>1,987,762</u>	<u>2,111,301</u>	<u>6,551,465</u>	<u>6,560,034</u>
Net assets, ending	<u>\$ 2,107,472</u>	<u>\$ 1,987,762</u>	<u>\$ 6,502,637</u>	<u>\$ 6,551,465</u>

Governmental-Type Activities

	Governmental-Type Activities	
	2012	2011
Revenues:		
Sales taxes	38%	31%
Property taxes	19%	17%
Charges for services	12%	11%
Wholesale beer tax	7%	6%
Operating grants and contributions	8%	21%
Other	16%	14%
	100%	100%
Expenses:		
General government	35%	27%
Public safety	36%	29%
Highways and streets	9%	9%
Other	20%	35%
	100%	100%

Business-Type Activities

	Business-Type Activities	
	2012	2011
Revenues:		
Charges for utility services	99%	94%
Capital grants and contributions	0%	5%
Other	1%	1%
	100%	100%
Expenses:		
Utility services	100%	100%

Expenses related to providing water and sewer service to customers comprise 100 percent of the Town's business-type activity expenses.

The **Statement of Activities** shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost (benefit) of providing services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	Total Cost of Services 2012	Net Cost (Benefit) of Services 2012	Total Cost of Services 2011	Net Cost (Benefit) of Services 2011
General government	\$ 689,683	\$ 613,997	\$ 694,548	\$ 691,823
Public safety	710,133	579,028	727,936	555,362
Drug enforcement	28,169	(13,743)	25,544	(33,622)
Highways and streets	185,086	181,564	222,502	196,661
State street aid	75,666	(8,096)	224,734	135,183
Sanitation	128,595	8,187	123,661	35,259
Culture and recreation	70,245	70,125	74,251	38,234
Health, welfare and social services	41,359	41,359	36,211	36,211
Community development	61,931	-	401,336	128
Cemeteries	-	-	-	-
Interest and fiscal charges	-	-	495	495
	<u>\$ 1,990,867</u>	<u>\$ 1,472,421</u>	<u>\$ 2,531,218</u>	<u>\$ 1,655,734</u>

General government includes activities of the judicial, legislative and executive branches of the Town, as well as financial administration, legal, industrial development, municipal building operations and maintenance, and any other activity not specifically included in a separate program.

Public safety includes activities of the police, fire and codes enforcement.

Drug enforcement includes specific police activity related to the eradication of illegal drug use, production and distribution.

Highways and streets include activities related to the operation and maintenance of roads, streets, sidewalks, alleys, and all related activities.

State street aid includes the administration of gas taxes restricted for the maintenance of Town roads, sidewalks, etc.

Sanitation includes all the activities of solid waste collection and removal for the Town.

Culture and recreation includes all the activities of the parks, community centers and libraries.

Health, welfare and social services include the activities of rabies and animal control.

Community development includes the activities of the HOMES Grant.

Cemeteries include the cost of perpetual maintenance of cemetery.

Interest and fiscal charges is the activity associated with the payment of the Town's debt.

The dependence upon tax revenue is apparent. All activities supported through taxes and other general revenues amounted to 74 and 65 percent for the fiscal years ended 2012 and 2011, respectively. The community as a whole is the primary support for the Town.

CHANGES IN NET ASSETS – BUSINESS-TYPE ACTIVITIES

Changes in the Water and Sewer Fund's net assets can be determined by reviewing the following condensed *Statement of Revenues, Expenses, and Changes in Net Assets* for the year 2012 and 2011.

Table 4
Statement of Revenues, Expenses, and Changes in Net Assets

Business-Type Activities		
	<u>2012</u>	<u>2011</u>
Revenues:		
Operating revenues	\$ 1,295,257	\$ 1,275,372
Non-operating revenues	<u>314</u>	<u>19</u>
Total revenues	<u>1,295,571</u>	<u>1,275,391</u>
Expenses:		
Operation	643,604	670,308
Administrative and general expense	263,986	261,825
Maintenance expense	72,187	53,674
Depreciation and amortization expense	326,712	323,170
Interest	<u>37,910</u>	<u>46,150</u>
Total expenses	<u>1,344,399</u>	<u>1,355,127</u>
Income (loss) before capital contributions	(48,828)	(79,736)
Capital contributions	<u>-</u>	<u>71,167</u>
Change in net assets	(48,828)	(8,569)
Net assets, beginning	<u>6,551,465</u>	<u>6,560,034</u>
Net assets, ending	<u>\$ 6,502,637</u>	<u>\$ 6,551,465</u>

The Water and Sewer Fund operating revenues were up 1.6 percent, which is comparable to the prior year. The number of water customers decreased 1.5 percent (33) and sewer customers decreased 1.1 percent (15) during fiscal year 2012.

Total expenses were down 0.8 percent this year, which is comparable to the prior year.

THE TOWN'S FUNDS

Information about the Town's major funds is detailed in the financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$2,040,577 and expenditures of \$1,982,343 for the fiscal year 2012.

As the Town completed the current year, all governmental funds had a balance of \$535,218, an increase of \$58,234 over 2011. This increase was mainly due to a decrease in general fund expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's budget is prepared according to Tennessee law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The General Fund is the most significant budgeted fund.

The Town amended its budget several times in the 2012 fiscal year. The most significant amendments were due to special impact revenues and capital outlay.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – Governmental-Type Activities

At the end of fiscal year 2012, the Town had \$1,871,535 invested in land, buildings and improvements, machinery and equipment, and vehicles. Table 5 shows fiscal 2012 and 2011 balances.

Table 5
Capital Assets (Net of Depreciation) at June 30

Governmental-Type Activities		
	<u>2012</u>	<u>2011</u>
Land	\$ 207,000	\$ 192,000
Buildings and improvements	725,905	652,159
Machinery and equipment	210,173	222,284
Vehicles	274,287	309,190
Street network	<u>454,170</u>	<u>461,191</u>
	<u>\$ 1,871,535</u>	<u>\$ 1,836,824</u>

Overall capital assets increased by \$34,711 in fiscal year 2012; and, depreciation expenses for this year amounted to \$109,735. The Town's major additions were for the remodel of the new City Hall building, Tuppertown Community Center building, radio equipment and office equipment. At the fiscal year end, the Town had no outstanding commitments for capital expenditures.

Capital Assets – Business-Type Activities

At the end of fiscal year 2012, the Water and Sewer Fund had \$6,814,141 invested in a broad range of capital assets, including its water distribution line, water treatment plant, sewer collection lines and sewer treatment plant. This amount represents a net decrease of \$316,568 or 4.4 percent.

Table 6 shows fiscal year 2012 and 2011 balances.

Table 6
Capital Assets (Net of Depreciation) at June 30
(Dollars in Thousands)

Business-Type Activities		
	<u>2012</u>	<u>2011</u>
Net Utility Plant:		
Land	\$ 43,545	\$ 43,545
Water and sewer plant	6,770,596	7,087,164
	<u>\$ 6,814,141</u>	<u>\$ 7,130,709</u>

The only addition was a new pump for a water booster station.

Debt Administration – Governmental-Type Activities

The Town's debt includes a revenue and tax bond and a capital outlay note. The Town charter does not limit the amount of debt that can be issued.

At June 30, 2012, the Town had a long-term debt totaling \$260,000, with \$30,000 due within one year. No interest on this note is due.

Debt Administration - Business-Type Activities

At June 30, 2012, the Water and Sewer Fund had outstanding revenue and tax bonds, a State Revolving Loan and a CDBG Loan in the amount of \$880,165, with \$182,840 due within one year. Debt service schedules amortize through 2042. Interest rates range from 3.3 percent to 5.0 percent on the loans and bonds. All outstanding bonds are insured and rated AAA.

CURRENT FINANCIAL ISSUES AND CONCERNS

Governmental-Type Activities

As is evident across the country, the economic recovery continues to progress at a slow pace. As such, the Town of Oliver Springs will operate accordingly, being very sensitive to minimal revenue growth. We project our budget to once again focus on the necessities with very little increase in non-essential spending. While we consider our budget to be very trim, we will continue to look for areas in which spending can be reduced, to help offset any new expenditures. At a time when unemployment rates remain high, and people are struggling to stay in their homes, we remain committed to operating

government without increasing the burden on our taxpayers. With all of this said, all is not bad. In the past year, we have seen new businesses open, and existing businesses increase their investment in our community. In addition, we are looking at tax rate increases for the next budget year in order to accommodate our growing costs while still providing the quality of services needed for our citizens. We will continue to strive to improve our fund balance and meet the minimum requirements for operating fund reserves. We realize that times are difficult, but while we remain conservative, we also have an eye on the future, and stand ready to move forward as times improve.

Business-Type Activities

We continue to strive to improve our Water and Sewer services throughout the Town of Oliver Springs, including implementation of new water loss controls, working on inflow and infiltration and sewer quality controls. Due to this fact we are looking at water and sewer rate increases to allow us the ability to maintain state standards in operation, providing quality services to our citizens and maintenance of facilities to insure the integrity of our services for the future. With this we will continue to strive to improve our fund balance and meet the minimum requirements for operating fund reserves.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Town of Oliver Springs' finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact the Town of Oliver Springs, 717 Main Street, Oliver Springs, Tennessee 37840.

TOWN OF OLIVER SPRINGS, TENNESSEE

Statement of Net Assets

June 30, 2012

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 160,819	\$ 392,946	\$ 553,765
Investments	50,000	126,683	176,683
Receivables:			
Property taxes (net of allowance for doubtful accounts of \$48,733)	31,921	-	31,921
Utility customers (net of allowance for doubtful accounts of \$195,441)	-	116,522	116,522
Unbilled property taxes	405,000	-	405,000
Due from other governmental units	53,344	-	53,344
Interest	-	227	227
Other	134,838	5,622	140,460
Internal balances	3,062	-	3,062
Due from customers	20,465	-	20,465
Prepaid expenses	36,169	8,885	45,054
Total current assets	895,618	650,885	1,546,503
Restricted assets:			
Cash and cash equivalents	93,810	47,309	141,119
Investments	-	58,717	58,717
Due from other governmental units	14,871	-	14,871
Total restricted assets	108,681	106,026	214,707
Capital assets:			
Land	207,000	43,545	250,545
Depreciable capital assets	2,649,235	13,266,983	15,916,218
	2,856,235	13,310,528	16,166,763
Less: Accumulated depreciation	984,700	6,496,387	7,481,087
Total capital assets	1,871,535	6,814,141	8,685,676
Total assets	\$ 2,875,834	\$ 7,571,052	\$ 10,446,886

(Continued)

TOWN OF OLIVER SPRINGS, TENNESSEE

Statement of Net Assets
(Continued)

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities (payable from current assets):			
Accounts payable	\$ 11,178	\$ 6,877	\$ 18,055
Accrued liabilities	4,915	1,912	6,827
Accrued interest	-	219	219
Deferred revenue	42,184	-	42,184
Deferred revenue - unbilled property taxes	405,000	-	405,000
Due to other governments	-	3,948	3,948
Funds held in trust	5,000	-	5,000
Customer deposits	-	141,993	141,993
Internal balances	-	3,062	3,062
Compensated absences	-	30,239	30,239
Long-term liabilities:			
Due within one year	30,000	182,840	212,840
Total liabilities (payable from current assets)	<u>498,277</u>	<u>371,090</u>	<u>869,367</u>
Current liabilities (payable from restricted assets):			
Funds held in trust	804	-	804
Total liabilities (payable from restricted assets)	<u>804</u>	<u>-</u>	<u>804</u>
Long-term liabilities:			
Due in more than one year	269,281	697,325	966,606
Total liabilities	<u>768,362</u>	<u>1,068,415</u>	<u>1,836,777</u>
Net assets:			
Invested in capital assets, net of related debt	1,611,535	5,933,976	7,545,511
Restricted:			
Drug enforcement fund	36,262	-	36,262
State street aid	47,577	-	47,577
Debt service	-	35,000	35,000
Other	23,618	-	23,618
Unrestricted	388,480	533,661	922,141
Total net assets	<u>2,107,472</u>	<u>6,502,637</u>	<u>8,610,109</u>
Total liabilities and net assets	<u>\$ 2,875,834</u>	<u>\$ 7,571,052</u>	<u>\$ 10,446,886</u>

See accompanying notes to basic financial statements.

TOWN OF OLIVER SPRINGS, TENNESSEE

Statement of Activities

For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities:							
General government	\$ 689,683	\$ 2,746	\$ -	\$ 72,940	\$ (613,997)	\$ -	\$ (613,997)
Public safety	710,133	106,390	9,800	14,915	(579,028)	-	(579,028)
Drug enforcement	28,169	17,843	24,069	-	13,743	-	13,743
Highways and streets	185,086	3,522	-	-	(181,564)	-	(181,564)
State street aid	75,666	-	83,762	-	8,096	-	8,096
Sanitation	128,595	120,408	-	-	(8,187)	-	(8,187)
Culture and recreation	70,245	120	-	-	(70,125)	-	(70,125)
Health, welfare and social services	41,359	-	-	-	(41,359)	-	(41,359)
Community development	61,931	-	61,931	-	-	-	-
Total governmental activities	1,990,867	251,029	179,562	87,855	(1,472,421)	-	(1,472,421)
Business-type activities:							
Water and Sewer Fund	1,344,399	1,295,257	-	-	-	(49,142)	(49,142)
Total business-type activities	1,344,399	1,295,257	-	-	-	(49,142)	(49,142)
Total primary government	\$ 3,335,266	\$ 1,546,286	\$ 179,562	\$ 87,855	(1,472,421)	(49,142)	(1,521,563)
General revenues:							
Taxes:							
Sales taxes					801,613	-	801,613
Property taxes					399,503	-	399,503
In-lieu of tax					99,891	-	99,891
Wholesale beer tax					147,015	-	147,015
Income tax					7,091	-	7,091
Gas taxes					6,631	-	6,631
Other taxes					78,641	-	78,641
Interest earned					1,376	314	1,690
Miscellaneous					50,370	-	50,370
Total general revenues					1,592,131	314	1,592,445
Change in net assets					119,710	(48,828)	70,882
Net assets - beginning					1,987,762	6,551,465	8,539,227
Net assets - ending					\$ 2,107,472	\$ 6,502,637	\$ 8,610,109

See accompanying notes to basic financial statements.

TOWN OF OLIVER SPRINGS, TENNESSEE

Balance Sheet - Governmental Funds

June 30, 2012

(With Comparative Totals for June 30, 2011)

ASSETS	General Fund	Other Governmental Funds	Totals	
			2012	2011
Cash and cash equivalents	\$ 160,819	\$ -	\$ 160,819	\$ 104,636
Investments	50,000	-	50,000	100,000
Receivables:				
Property taxes (net of allowance for doubtful accounts of \$48,733)	31,921	-	31,921	33,663
Unbilled property taxes	405,000	-	405,000	407,000
Due from governmental units	53,344	-	53,344	175,533
Due from other funds	420	3,062	3,482	2,178
Due from customers	-	20,465	20,465	16,108
Other	134,838	-	134,838	250
Prepaid expenses	36,169	-	36,169	36,147
Restricted assets:				
Cash and cash equivalents	23,618	70,192	93,810	47,029
Due from governmental units	-	14,871	14,871	15,381
Total assets	\$ 896,129	\$ 108,590	\$ 1,004,719	\$ 937,925
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payable from current assets:				
Accounts payable	\$ 11,178	\$ -	\$ 11,178	\$ 2,276
Accrued liabilities	4,915	-	4,915	4,327
Funds held in trust	5,000	-	5,000	-
Deferred revenue	31,280	10,904	42,184	46,887
Deferred revenue - unbilled property taxes	405,000	-	405,000	407,000
Total current liabilities (payable from current assets)	457,373	10,904	468,277	460,490
Payable from restricted assets:				
Accounts payable	-	-	-	31
Due to other funds	-	420	420	420
Funds held in trust	-	804	804	-
Total current liabilities (payable from current assets)	-	1,224	1,224	451
Total liabilities	457,373	12,128	469,501	460,941
Fund balances:				
Nonspendable:				
Prepaid expenses	36,169	-	36,169	36,147
Restricted:				
Fire department	7,395	-	7,395	3,720
911 funds	15,600	-	15,600	12,300
Cemetery funds	623	-	623	490
Drug enforcement fund	-	36,262	36,262	22,497
State street aid	-	47,577	47,577	39,462
Committed:				
Court	815	-	815	1,750
Sanitation fund	-	12,623	12,623	8,894
Unreserved	378,154	-	378,154	351,724
Total fund balances	438,756	96,462	535,218	476,984
Total liabilities and fund balances	\$ 896,129	\$ 108,590	\$ 1,004,719	\$ 937,925

See accompanying notes to basic financial statements.

TOWN OF OLIVER SPRINGS, TENNESSEE

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets

June 30, 2012

Total fund balances - governmental funds		\$ 535,218
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$2,856,235 and the accumulated depreciation is \$984,700.		1,871,535
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Notes payable	\$ (260,000)	
Compensated absences	<u>(39,281)</u>	<u>(299,281)</u>
Total net assets - governmental activities		<u>\$2,107,472</u>

See accompanying notes to basic financial statements.

TOWN OF OLIVER SPRINGS, TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental FundsFor the Fiscal Year Ended June 30, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	General Fund	Other Governmental Funds	Totals	
			2012	2011
Revenues:				
Local taxes	\$ 1,195,497	\$ -	\$ 1,195,497	\$ 1,159,456
Licenses and permits	2,746	-	2,746	2,225
Intergovernmental revenue	434,474	83,762	518,236	935,150
Fines and forfeits	106,390	17,843	124,233	177,250
Charges for service	3,642	120,408	124,050	93,463
Other income	36,780	3,357	40,137	17,087
Interest income	1,335	41	1,376	2,773
Sale of fixed assets	13,590	20,712	34,302	20,275
Total revenues	1,794,454	246,123	2,040,577	2,407,679
Expenditures:				
Current:				
General government	730,322	-	730,322	1,126,263
Public safety	657,838	-	657,838	715,533
Highways and streets	171,815	-	171,815	292,571
Health, welfare and social services	41,454	-	41,454	35,806
Culture and recreation	56,553	-	56,553	98,836
Community development	61,931	-	61,931	401,336
Drug enforcement	-	28,169	28,169	60,757
Sanitation	-	128,595	128,595	123,661
State street aid	-	75,666	75,666	224,734
Debt service:				
Principal retirement	30,000	-	30,000	33,426
Interest	-	-	-	495
Total expenditures	1,749,913	232,430	1,982,343	3,113,418
Revenues over (under) expenditures	44,541	13,693	58,234	(705,739)
Other financing sources (uses):				
Issuance of notes	-	-	-	300,000
Interfund transfers - in	-	11,916	11,916	106,309
Interfund transfers - out	(11,916)	-	(11,916)	(106,309)
Total other financing sources (uses)	(11,916)	11,916	-	300,000
Revenues and other financing sources over (under) expenditures and other financing uses	32,625	25,609	58,234	(405,739)
Fund balance, beginning	406,131	70,853	476,984	882,723
Fund balance, ending	\$ 438,756	\$ 96,462	\$ 535,218	\$ 476,984

See accompanying notes to basic financial statements.

TOWN OF OLIVER SPRINGS, TENNESSEE

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2012

Total net changes in fund balances - governmental funds	\$ 58,234
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays (\$157,661) exceed depreciation expense (\$109,735) in the period.	47,926
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	30,000
Loss on the sale or disposal of assets is reported as an expense on the statement of activities, but not reported on the governmental funds financial statement, nor are the proceeds of \$6,520 related to the sale recorded as revenues.	(13,215)
In the statement of activities, certain operating expenses -- compensated absences (sick pay and vacation) -- are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick leave earned was more than the amounts used.	<u>(3,235)</u>
Changes in net assets of governmental activities	<u>\$ 119,710</u>

See accompanying notes to basic financial statements.

TOWN OF OLIVER SPRINGS, TENNESSEE
Statement of Net Assets - Proprietary Fund Type
June 30, 2012

ASSETS

Current assets:	
Cash on hand and in banks	\$ 392,946
Investments	126,683
Receivables:	
Customers, less allowance for doubtful accounts of \$195,441	116,522
Interest	227
Other	5,622
Prepaid expenses	<u>8,885</u>
Total current assets	<u>650,885</u>
Restricted assets:	
Bond sinking fund - cash	47,309
Investments	<u>58,717</u>
Total restricted assets	<u>106,026</u>
Capital assets:	
Land and land rights	43,545
Water and sewer plant	12,837,619
Machinery and equipment	329,662
Vehicles	<u>99,702</u>
Total capital assets	13,310,528
Less: Accumulated depreciation	<u>6,496,387</u>
Net capital assets	<u>6,814,141</u>
Total assets	<u><u>\$ 7,571,052</u></u>

(Continued)

TOWN OF OLIVER SPRINGS, TENNESSEE
Statement of Net Assets - Proprietary Fund Type
(Continued)

June 30, 2012

LIABILITIES AND NET ASSETS

Current liabilities (payable from current assets):	
Current installments of long-term debt	\$ 182,840
Accounts payable:	
Trade	6,877
Other	1,912
Due to other funds	3,062
Due to other governments	3,948
Customer deposits	141,993
Compensated absences	30,239
Accrued interest	<u>219</u>
Total current liabilities (payable from current assets)	371,090
Long-term debt, excluding current maturities	<u>697,325</u>
Total liabilities	<u>1,068,415</u>
Net assets:	
Invested in capital assets, net of related debt	5,933,976
Restricted for debt service	35,000
Unrestricted	<u>533,661</u>
Total net assets	<u>6,502,637</u>
Total liabilities and net assets	<u><u>\$ 7,571,052</u></u>

See accompanying notes to basic financial statements.

TOWN OF OLIVER SPRINGS, TENNESSEE

Statement of Revenues, Expenses, and Changes in Net Assets -
Proprietary Fund Type

For the Fiscal Year Ended June 30, 2012

Operating revenues:	
Metered water sales	\$ 554,256
Sewer service charges	504,300
Water and sewer tap fees	61,230
Discounts and penalties	46,127
Water surcharge	26,976
Fuel surcharge	102,368
	<u>1,295,257</u>
Operating expenses:	
Operation	643,604
Administrative and general	263,986
Maintenance	72,187
Depreciation	326,712
	<u>1,306,489</u>
Operating income (loss)	<u>(11,232)</u>
Non-operating revenues (expenses):	
Interest income	314
Interest expense	(37,910)
	<u>(37,596)</u>
Change in net assets	(48,828)
Net assets, beginning	<u>6,551,465</u>
Net assets, ending	<u>\$ 6,502,637</u>

See accompanying notes to basic financial statements.

TOWN OF OLIVER SPRINGS, TENNESSEE
Statement of Cash Flows - Proprietary Fund Type
For the Fiscal Year Ended June 30, 2012

Cash flows from operating activities:	
Cash received from customers	\$ 1,301,007
Cash payments to suppliers for goods and services	(604,959)
Cash payments to employees for services	<u>(373,157)</u>
Net cash provided by operating activities	<u>322,891</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(10,144)
Interest paid	(39,019)
Principal paid on long-term debt maturities	<u>(176,007)</u>
Net cash used by capital and related financing activities	<u>(225,170)</u>
Cash flows from investing activities:	
Interest received	302
Advances from (repayments to) the Town, net	1,304
Proceeds from sales and maturities of investments	206,346
Purchase of investments	<u>(206,359)</u>
Net cash provided by investing activities	<u>1,593</u>
Net increase in cash and cash equivalents	99,314
Cash and cash equivalents, beginning of year	<u>340,941</u>
Cash and cash equivalents, end of year	<u>\$ 440,255</u>
Cash and cash equivalents - unrestricted	\$ 392,946
Cash and cash equivalents - restricted	<u>47,309</u>
Cash and cash equivalents, end of year	<u>\$ 440,255</u>

(Continued)

TOWN OF OLIVER SPRINGS, TENNESSEE

Statement of Cash Flows - Proprietary Fund Type
(Continued)

For the Fiscal Year Ended June 30, 2012

Adjustments to reconcile operating income (loss) to
net cash provided by operating activities:

Operating income (loss)	<u>\$ (11,232)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	326,712
Decrease in accounts receivable	4,003
Decrease in other receivables	4,056
Decrease in prepaid expenses	1,454
Increase in accounts payable	6,544
Increase in other payables	1,776
Decrease in due to other governments	(380)
Decrease in compensated absences	(7,733)
Decrease in customer deposits	<u>(2,309)</u>
	<u>334,123</u>
	<u>\$ 322,891</u>

See accompanying notes to basic financial statements.

TOWN OF OLIVER SPRINGS, TENNESSEE

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2012

(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Revenues:				
Taxes:				
Real and personal property taxes	\$ 411,500	\$ 411,500	\$ 393,122	\$ 399,195
Penalty and interest	6,000	6,000	6,381	9,165
Payment in lieu of tax - electric utilities	11,000	14,000	14,397	12,426
Local sales tax - county trustee	500,000	524,000	557,527	514,020
Wholesale beer tax	130,000	130,000	147,015	141,163
Business taxes	27,000	27,000	25,313	34,398
Cable TV franchise tax	41,000	41,000	41,228	41,059
Room occupancy tax	7,000	7,000	10,514	8,030
Total taxes	1,133,500	1,160,500	1,195,497	1,159,456
Licenses and permits:				
Beer licenses	1,375	1,375	1,825	1,725
Building and related permits	-	-	765	12
Animal registration fees	200	200	46	268
Other permits	200	200	110	220
Total licenses and permits	1,775	1,775	2,746	2,225
Intergovernmental revenues:				
Local sales tax - state	232,000	232,000	244,086	240,630
Housing Authority - payments in lieu of taxes	19,500	19,500	21,547	19,520
TVA payments in lieu of taxes	36,000	36,000	63,947	63,433
State law enforcement education	4,800	4,800	4,800	5,400
State law enforcement equipment	-	5,000	5,000	-
State income tax	10,000	7,000	7,091	6,942
State beer tax	1,700	1,700	1,586	1,723
State city street and transportation tax	6,600	6,600	6,631	7,051
Special area impact funds	-	25,376	-	-
State excise tax	1,500	-	-	-
E-911 grant	-	-	3,300	4,800
Energy efficient grant	-	-	-	20,800
HOMES grant	-	-	61,931	401,208
Other state grants	-	580	2,940	500
Other county grants	-	-	-	35,997
FEMA grant	-	4,510	11,615	37,595
Total intergovernmental revenues	312,100	343,066	434,474	845,599
Fines and forfeits:				
City court fines and costs	127,000	111,000	106,390	124,779
Total fines and forfeits	127,000	111,000	106,390	124,779
Other charges for services:				
Library charges	-	-	120	20
Street maintenance contract	5,000	2,500	3,522	5,041
Total other charges for services	5,000	2,500	3,642	5,061

(Continued)

TOWN OF OLIVER SPRINGS, TENNESSEE

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Revenues (continued):				
Other income:				
Miscellaneous	\$ 600	\$ 1,317	\$ 9,378	\$ 2,007
Interest	2,500	1,500	1,335	2,723
Insurance recoveries	2,500	12,086	20,357	3,470
Donations	2,500	6,400	7,045	4,915
Penalties	-	5,500	-	-
Sale of fixed assets	3,000	13,060	13,590	20,275
	<u>11,100</u>	<u>39,863</u>	<u>51,705</u>	<u>33,390</u>
Total other income				
	<u>11,100</u>	<u>39,863</u>	<u>51,705</u>	<u>33,390</u>
Total revenues	<u>1,590,475</u>	<u>1,658,704</u>	<u>1,794,454</u>	<u>2,170,510</u>
Expenditures:				
General government:				
Board of Aldermen:				
Employee education and training	150	150	20	-
Fees of officials	2,880	2,880	2,640	2,480
Radio and television services	1,325	1,325	900	1,050
Publication of legal notices	100	100	-	105
	<u>4,455</u>	<u>4,455</u>	<u>3,560</u>	<u>3,635</u>
Total Board of Aldermen				
	<u>4,455</u>	<u>4,455</u>	<u>3,560</u>	<u>3,635</u>
Judicial:				
Employee education and training	475	475	475	475
Per diem	300	300	84	232
Postage, box rent, etc.	25	25	17	26
Books, catalogues, and brochures	500	500	411	498
Memberships and registration fees	175	175	300	75
Publicity and subscriptions	1,000	1,000	467	898
Telephone	-	50	21	-
Travel	150	150	94	64
Supplies	50	50	20	-
	<u>2,675</u>	<u>2,725</u>	<u>1,889</u>	<u>2,268</u>
Total Judicial				
	<u>2,675</u>	<u>2,725</u>	<u>1,889</u>	<u>2,268</u>
City Court:				
Employee education and training	100	100	-	-
Per diem	220	220	90	276
Printing and stationery	200	200	-	118
Books, catalogs and brochures	50	50	528	-
Data processing services	3,068	2,818	2,673	3,068
Repair and maintenance services	200	200	-	130
Travel	500	500	264	338
Supplies	50	250	240	-
Office supplies and materials	100	100	31	84
Small items of equipment	200	200	590	37
Household and janitorial supplies	50	50	-	-
State litigation fees	10,000	10,000	7,979	8,721
Other improvements	300	300	126	9,740
	<u>15,038</u>	<u>14,988</u>	<u>12,521</u>	<u>22,512</u>
Total City Court				
	<u>15,038</u>	<u>14,988</u>	<u>12,521</u>	<u>22,512</u>

(Continued)

TOWN OF OLIVER SPRINGS, TENNESSEE

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Expenditures (continued):				
General government (continued):				
Mayor:				
Fees of officials	\$ 600	\$ 600	\$ 600	\$ 600
Contractual services	15,000	15,000	15,000	15,600
Memberships and registration fees	600	600	1,657	528
Radio and TV services	-	-	1,282	-
Public relations	-	1,600	3,900	5,267
Telephone	1,000	1,000	1,123	858
Repair and maintenance services	-	-	259	-
Feeding prisoners	1,600	1,600	3,251	2,905
Office supplies	50	50	-	-
Tourism	-	-	75	-
Gas, oil, and diesel fuel	800	800	681	760
Motor vehicle parts	-	-	76	-
Total Mayor	<u>19,650</u>	<u>21,250</u>	<u>27,904</u>	<u>26,518</u>
City Administrator:				
Salaries and wages	75,498	75,498	63,354	73,963
Bonus pay	2,707	2,707	2,544	5,507
Employee education and training	-	-	410	260
Per diem	-	-	-	156
Postage and box rent	1,600	1,600	1,956	1,830
Radio and television services	-	-	1,282	200
Books, catalogues, and brochures	-	-	146	-
Publication of formal and legal notices	500	500	1,167	569
Memberships and registration fees	1,500	1,500	535	1,864
Public relations	-	-	33	501
Telephone	2,000	2,000	1,292	2,114
Vaccination and drug testing	200	200	-	-
Other professional services	500	500	-	-
Repair and maintenance services	500	500	1,366	459
Travel	-	-	450	720
Supplies	250	250	125	183
Office supplies and materials	3,000	3,000	4,872	4,211
Small items of equipment	1,311	1,311	1,646	1,330
Gas, oil, and diesel fuel	3,000	3,000	1,740	3,187
Motor vehicle parts	800	800	1,497	204
Tires, tubes, etc.	-	-	752	-
Surety bonds for officials and employees	50	50	-	50
Penalties for late payments	-	-	1,306	523
Total City Administrator	<u>93,416</u>	<u>93,416</u>	<u>86,473</u>	<u>97,831</u>
City Election:				
Fees	<u>5,000</u>	<u>5,000</u>	<u>3,935</u>	<u>-</u>
Total City Election	<u>5,000</u>	<u>5,000</u>	<u>3,935</u>	<u>-</u>

(Continued)

TOWN OF OLIVER SPRINGS, TENNESSEE

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Expenditures (continued):				
General government (continued):				
City Recorder:				
Salaries and wages	\$ 16,791	\$ 16,791	\$ 16,144	\$ 16,144
Bonus pay	-	-	-	645
Fees	600	600	-	-
Postage	100	100	39	70
Telephone, cells, and pagers	-	-	29	-
Travel	150	150	69	130
Supplies	100	100	87	-
Operating supplies	400	400	416	358
State fees	5,000	5,000	315	245
	<u>23,141</u>	<u>23,141</u>	<u>17,099</u>	<u>17,592</u>
Total City Recorder				
City Attorney:				
Professional services	1,000	1,000	300	-
Legal services	7,500	7,500	5,342	6,936
	<u>8,500</u>	<u>8,500</u>	<u>5,642</u>	<u>6,936</u>
Total City Attorney				
Tax administration:				
Postage	450	450	700	428
Printing, duplicating, and typing	700	700	522	621
Publication of formal and legal	-	-	56	-
Accounting and auditing services	500	500	-	134
Data processing services	3,680	3,680	3,025	3,688
Office supplies and materials	150	150	374	167
Small items of equipment	400	400	330	349
	<u>5,880</u>	<u>5,880</u>	<u>5,007</u>	<u>5,387</u>
Total tax administration				
Treasurer:				
Salaries and wages	37,814	37,814	37,880	39,946
Other wages	14,034	14,034	12,135	17,115
Bonus pay	-	-	-	1,900
Employee education and training	425	425	350	500
Membership and registration fees	50	50	149	45
Accounting and auditing services	14,000	14,000	21,663	17,891
Data processing services	2,792	2,792	2,276	2,792
Travel	700	700	467	660
Office supplies and materials	350	350	506	347
Small items of equipment	400	400	305	1,230
Surety bonds for officials and employees	50	50	-	50
Wire transfer charge	-	286	312	-
	<u>70,615</u>	<u>70,901</u>	<u>76,043</u>	<u>82,476</u>
Total Treasurer				
Planning and zoning:				
Publication of formal and legal notices	150	150	-	41
Professional services	3,000	3,000	1,545	3,209
Tennessee state planning office	7,250	7,250	6,000	7,250
Permit fee	-	-	-	-
	<u>10,400</u>	<u>10,400</u>	<u>7,545</u>	<u>10,500</u>
Total planning and zoning				

(Continued)

TOWN OF OLIVER SPRINGS, TENNESSEE

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Expenditures (continued):				
General government (continued):				
City hall buildings:				
Fees of officials	\$ -	\$ -	\$ -	\$ 28
Contractual services	2,500	2,500	6,732	2,593
Public relations	500	1,000	962	271
Electric	8,000	8,000	7,616	8,558
Water	1,200	1,200	579	570
Gas	3,700	3,700	1,643	2,784
Telephone	8,000	8,000	5,021	6,144
Professional services	2,500	2,500	-	2,052
Vaccinations and drug testing	600	600	-	600
Repair and maintenance services	1,000	1,000	1,438	2,710
Repair and maintenance - furniture	-	-	318	-
Repair and maintenance - buildings	500	500	790	339
Machinery and equipment rent	500	500	378	320
Auction fees	-	93	93	-
Supplies	1,500	3,500	3,774	1,629
Small items of equipment	-	3,000	2,925	-
Household and janitorial supplies	4,500	4,500	2,790	4,340
Electrical supplies	200	200	879	-
Mulch, top soil, etc.	-	-	135	-
Building and office rental	4,920	4,920	4,920	4,920
Trustee's fee	-	-	1,144	7,992
Capital outlay	-	10,500	19,416	5,304
Other improvements	-	25,000	40,948	-
Site acquisition	-	-	-	430,245
Amortization of bond premium	30,000	30,000	-	-
Total city hall buildings	<u>70,120</u>	<u>111,213</u>	<u>102,501</u>	<u>481,399</u>
Community Center:				
Water	-	241	268	-
Gas	-	175	113	-
Supplies	-	100	12	-
Painting or plumbing supplies	-	100	40	-
Total community center	<u>-</u>	<u>616</u>	<u>433</u>	<u>-</u>
Other general government:				
Insurance	15,000	15,000	29,586	17,254
Retirement and pension contributions	30,000	30,000	35,717	39,514
Worker's compensation	26,000	26,000	18,614	22,341
Unemployment insurance	3,000	3,000	1,466	1,850
O.A.S.I.	66,000	66,000	57,207	61,782
Hospital and health insurance	237,000	237,000	237,180	226,468
Total other general government	<u>377,000</u>	<u>377,000</u>	<u>379,770</u>	<u>369,209</u>
Total general government	<u>705,890</u>	<u>749,485</u>	<u>730,322</u>	<u>1,126,263</u>

(Continued)

TOWN OF OLIVER SPRINGS, TENNESSEE

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Expenditures (continued):				
Public safety:				
Police:				
Salaries and wages	\$ 452,634	\$ 457,664	\$ 452,625	\$ 463,644
Bonus pay	-	-	-	15,597
Employee education and training	1,500	1,500	446	415
Per diem	850	850	743	1,752
Contractual services	10,000	10,000	10,347	11,674
Postage	300	300	326	455
Automobile licenses and titles	-	-	53	-
Radio and television services	1,000	1,000	342	-
Vehicle tow-in services	500	540	100	-
Printing, duplicating and typing	1,000	1,000	1,065	1,549
Books, catalogues and brochures	500	500	-	108
Formal and legal publications	100	100	-	-
Membership and registration fees	200	200	125	410
Public relations	250	250	473	384
Other publicity and subscriptions	-	-	253	284
Electric	-	-	3,681	-
Water	900	900	1,132	1,147
Gas	-	-	612	-
Telephone	6,500	6,500	9,184	8,450
Vaccinations and drug testing	500	500	1,414	-
Repair and maintenance services	9,000	9,556	9,162	13,120
Repair and maintenance - furniture	350	350	-	240
Repair and maintenance - building	150	150	142	62
Travel	1,000	1,000	238	1,020
Machinery and equipment rental	250	250	263	311
Supplies	2,000	2,000	4,067	2,220
Office supplies and materials	3,000	3,000	3,439	5,161
Small items of equipment	3,000	8,000	8,788	6,324
Household and janitorial supplies	3,000	3,000	3,996	3,183
Clothing and uniforms	3,500	3,500	4,308	3,855
Firearm supplies	1,000	1,000	4,873	-
Gas, oil, diesel fuel and grease	35,000	35,032	42,845	41,029
Motor vehicle parts	9,000	11,160	6,915	15,975
Tires, tubes, etc.	3,500	4,155	5,214	1,601
Electrical supplies	50	50	28	619
Safety supplies	1,000	1,000	229	60
Principal retirement	-	-	-	16,342
Interest	-	-	-	643
Total police	551,534	565,007	577,428	617,634
Fire protection and control:				
Bonus pay	-	-	-	1,600
Employee education and training	6,500	6,500	6,733	14,122
Volunteer firemen	15,500	15,500	18,389	15,510
Fees	-	-	-	26
Radio and television services	500	500	33	623
Vehicle tow-in services	-	-	-	-
Publications of legal notices	200	200	-	111
Memberships and registration fees	500	500	250	150

(Continued)

TOWN OF OLIVER SPRINGS, TENNESSEE

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Expenditures (continued):				
Public safety (continued):				
Fire protection and control (continued):				
Electric	\$ 3,500	\$ 3,500	\$ 2,985	\$ 3,585
Water	1,500	1,500	637	1,095
Gas	3,500	3,500	1,468	2,655
Telephone	1,500	1,500	1,447	1,042
Reporting software	-	3,110	3,110	-
Repair and maintenance services	2,100	2,100	4,317	4,063
Repair and maintenance - buildings	1,000	1,000	1,270	349
Machinery and equipment rental	200	200	-	-
Supplies	1,000	1,000	1,007	2,086
Small items of equipment	1,500	2,900	15,640	2,600
Household and janitorial supplies	200	200	102	138
Clothing and uniforms	500	500	4,616	1,762
Gas, oil, diesel fuel and grease	3,000	3,000	2,439	2,953
Motor vehicle parts	2,000	2,000	2,938	5,033
Machinery and equipment part	-	-	-	10,529
Tires, tubes, etc.	-	-	-	1,802
Painting or plumbing supplies	40	40	43	40
Electrical supplies	100	100	44	56
Consumable tools	500	500	-	57
Safety supplies	-	-	198	-
Small hardwire and wire	-	-	118	-
Capital outlay	-	-	-	18,887
Other improvements	10,000	-	-	-
Total fire protection and control	<u>55,340</u>	<u>49,850</u>	<u>67,784</u>	<u>90,874</u>
Civil defense:				
Electric	500	500	403	313
Water	6,000	6,000	7,248	6,622
Gas	300	300	92	90
Other improvements	-	4,000	4,883	-
Total civil defense	<u>6,800</u>	<u>10,800</u>	<u>12,626</u>	<u>7,025</u>
Total public safety	<u>613,674</u>	<u>625,657</u>	<u>657,838</u>	<u>715,533</u>
Highways and streets:				
Administrative expenses:				
Salaries and wages	109,784	109,784	108,811	118,476
Bonus pay	-	-	-	4,659
Employee education and training	50	50	-	25
Automobile licenses and titles	-	-	46	-
Vehicle tow-in-service	-	-	100	-
Electric	-	-	3,911	-
Telephone and telegraph	650	650	615	526
Vaccinations, drug testing and evaluations	50	50	-	50
Repair and maintenance services	6,000	6,000	5,841	9,221
Repair and maintenance - traffic lights	500	500	-	328
Machinery and equipment rental	-	-	6,009	-
Auction fees	-	-	-	1,298

(Continued)

TOWN OF OLIVER SPRINGS, TENNESSEE

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Expenditures (continued):				
Highways and streets (continued):				
Administrative expenses (continued):				
Supplies	\$ 1,000	\$ 1,000	\$ 1,623	\$ 1,505
Small items of equipment	1,000	1,000	1,283	870
Agriculture and horticulture supplies	1,000	1,000	120	273
Chemical, laboratory, and medical supplies	700	700	3,501	2,811
Household and janitorial supplies	200	200	180	14
Clothing and uniforms	-	-	-	142
Gas, oil, diesel fuel and grease	17,000	17,000	16,384	21,578
Motor vehicle parts	4,500	4,500	6,364	4,653
Machinery and equipment parts	2,000	2,000	2,933	3,132
Tires, tubes, etc.	1,000	1,000	596	2,860
Painting and plumbing supplies	500	500	369	116
Electrical supplies	1,000	1,000	1,592	2,225
Consumable tools	750	750	855	823
Sign parts and supplies	1,000	1,000	-	3,954
Safety supplies	1,000	1,000	882	1,731
Ready mixed concrete	100	100	-	-
Concrete blocks	400	400	24	41
Cement and concrete supplies	400	400	125	52
Metal products	1,000	1,000	53	427
Small hardware, wire and nails	300	300	176	241
Metal culverts	500	500	-	-
Lumber	450	450	172	345
Crushed stone	3,000	3,000	2,326	4,314
Gravel and sand	3,500	3,500	1,002	3,590
Asphalt and asphalt filler	1,500	1,500	1,223	1,861
Capital outlay	-	6,142	-	94,784
Total administrative expenses	160,834	166,976	167,116	286,925
City garage:				
Electric	2,200	2,200	2,228	2,214
Water	300	300	370	325
Gas	3,200	3,200	1,721	2,385
Repair and maintenance services	50	50	-	-
Repair and maintenance - buildings	100	100	-	100
Supplies	400	400	294	541
Painting and plumbing supplies	350	350	-	30
Electrical supplies	50	50	86	45
Cement and concrete supplies	50	50	-	-
Small hardware	-	-	-	6
Total city garage	6,700	6,700	4,699	5,646
Total highways and streets	167,534	173,676	171,815	292,571
Health, welfare, and social services:				
Rabies and animal control:				
Salaries and wages	25,066	25,066	24,109	24,041
Bonus pay	-	-	-	915
Contractual services	5,000	5,000	3,820	3,640

(Continued)

TOWN OF OLIVER SPRINGS, TENNESSEE

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Expenditures (continued):				
Health, welfare, and social services (continued):				
Rabies and animal control (continued):				
Vehicle tow in services	\$ -	\$ -	\$ 40	\$ -
Medical, dental, veterinary	250	250	170	-
Repair and maintenance services	500	4,400	4,230	566
Travel	50	50	-	-
Auction fees	-	128	128	-
Supplies	200	200	328	118
Small items of equipment	1,600	1,600	302	-
Operating supplies	100	100	-	-
Clothing and uniforms	300	300	544	-
Gas, oil, diesel fuel and grease	5,000	5,000	5,033	5,117
Motor vehicle parts	400	2,110	2,690	839
Tires, tubes, etc.	400	400	60	570
	<u>38,866</u>	<u>44,604</u>	<u>41,454</u>	<u>35,806</u>
Total rabies and animal control				
	<u>38,866</u>	<u>44,604</u>	<u>41,454</u>	<u>35,806</u>
Total health, welfare, and social services				
Culture and recreation:				
Parks and recreation centers:				
Salaries perm employees	11,029	11,029	11,029	11,029
Bonus pay	-	-	-	441
Electric	3,000	3,000	3,016	2,858
Water	1,500	1,500	1,040	1,435
Repair and maintenance services	1,000	1,000	1,060	2,889
Repair and maintenance - traffic lights	500	500	-	-
Repair and maintenance - plumbing	250	250	-	-
Supplies	500	500	456	814
Small items of equipment	500	500	200	159
Agriculture and horticulture supplies	1,000	1,000	76	443
Chemical, laboratory and medical supplies	1,500	1,500	1,433	4,083
Janitorial supplies	500	500	176	456
Gas, oil, diesel fuel and grease	700	700	733	781
Machinery and equipment parts	500	500	3,009	408
Painting and plumbing supplies	700	700	7	724
Electrical supplies	500	500	88	172
Consumable tools	50	50	-	19
Sign parts and supplies	-	-	-	76
Ready mix concrete	100	100	-	-
Concrete blocks	100	100	-	-
Cement and concrete supplies	50	50	-	3
Metal products	-	-	73	-
Small hardware, wire and nails	50	50	33	41
Lumber	500	500	-	425
Gravel and sand	500	500	378	171
Mulch, topsoil, etc.	700	700	70	1,374
Asphalt and asphalt filler	-	-	-	37
Capital outlay	-	-	-	35,580
Other improvements	800	800	-	724
	<u>26,529</u>	<u>26,529</u>	<u>22,877</u>	<u>65,142</u>
Total parks and recreation centers				

(Continued)

TOWN OF OLIVER SPRINGS, TENNESSEE

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Expenditures (continued):				
Culture and recreation (continued):				
Libraries:				
Salaries and wages	\$ 21,632	\$ 21,632	\$ 19,360	\$ 20,326
Bonus pay	-	-	-	832
Employee education and training	50	50	-	-
Per diem	100	100	6	-
Contractual services	3,500	3,500	2,118	2,991
Postage	50	101	80	-
Books, catalogues and brochures	2,500	2,500	2,254	2,276
Publicity, subscriptions and dues	500	500	357	162
Electric	2,500	2,500	1,972	1,928
Water	500	500	579	270
Gas	3,000	3,000	1,917	2,250
Telephone	600	740	1,411	518
Repair and maintenance services	550	550	603	360
Repair and maintenance - buildings	-	-	16	61
Travel	200	200	309	59
Machinery and equipment rent	-	-	56	-
Supplies	1,000	1,000	979	1,311
Office supplies and materials	500	500	468	117
Small items of equipment	500	1,080	1,121	129
Janitorial supplies	50	50	70	66
Electrical supplies	50	50	-	38
Total libraries	<u>37,782</u>	<u>38,553</u>	<u>33,676</u>	<u>33,694</u>
Total culture and recreation	<u>64,311</u>	<u>65,082</u>	<u>56,553</u>	<u>98,836</u>
Community development:				
Publications of formal and legal notices	200	200	-	-
Homes Grant	-	-	61,931	401,336
Total community development	<u>200</u>	<u>200</u>	<u>61,931</u>	<u>401,336</u>
Debt service:				
Principal retirement	-	-	30,000	33,426
Interest	-	-	-	495
Total debt service	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>33,921</u>
Total expenditures	<u>1,590,475</u>	<u>1,658,704</u>	<u>1,749,913</u>	<u>2,704,266</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>44,541</u>	<u>(533,756)</u>
Other financing sources (uses):				
Issuance of notes	-	-	-	300,000
Transfer (to) from State Street Aid Fund	-	-	-	(70,000)
Transfer (to) from Sanitation Fund	-	-	(11,916)	(36,309)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(11,916)</u>	<u>193,691</u>

(Continued)

TOWN OF OLIVER SPRINGS, TENNESSEE

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	<u>2012 Original Budget</u>	<u>2012 Final Budget</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ 32,625	\$ (340,065)
Fund balance, beginning	<u>406,131</u>	<u>406,131</u>	<u>406,131</u>	<u>746,196</u>
Fund balance, ending	<u>\$ 406,131</u>	<u>\$ 406,131</u>	<u>\$ 438,756</u>	<u>\$ 406,131</u>

See accompanying notes to basic financial statements.

TOWN OF OLIVER SPRINGS, TENNESSEE

Notes to Basic Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies(a) General Statement

The accounting and reporting policies of the Town of Oliver Springs, Tennessee (the Town) relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America that are applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As permitted by generally accepted accounting principles, the Town has elected not to apply to its proprietary activities private sector accounting and financial reporting issued after November 30, 1989. The more significant accounting policies of the Town are described below.

(b) Reporting Entity

The financial statements consist of all the funds of the Town of Oliver Springs, Tennessee.

(c) Basis of Presentation

The Town follows the provisions of Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*" Statement No. 34 and subsequent amendments established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. The classifications are defined as follows:

- *Invested in capital assets, net of related debt* – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- *Restricted* – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net assets* – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

TOWN OF OLIVER SPRINGS, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(c) Basis of Presentation (Continued)

The Town also follows the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This statement requires that capital contributions to the Town be presented as a change in net assets.

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements:

The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental and business-type activities.

Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

2. Fund Financial Statements:

During the year, the Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

(d) Fund Accounting

The Town uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

TOWN OF OLIVER SPRINGS, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(d) Fund Accounting (Continued)**Governmental Funds:**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Town's major governmental fund:

General Fund – The General Fund is the operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund typically has been used to liquidate other long-term liabilities in prior years.

Proprietary Fund:

Enterprise Fund – Enterprise funds are used to account for the activities that are similar to those found in the private sector. Enterprise funds are used to account for operations (a) that are financed primarily through user charges, or (b) where the governing body has decided that determination of net income is appropriate.

The Water and Sewer Fund is operated as an enterprise fund.

(e) Measurement Focus1. **Government-Wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included on the statement of net assets.

2. **Fund Financial Statements:**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

TOWN OF OLIVER SPRINGS, TENNESSEE

Notes to Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(f) Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Nonexchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the Town receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes, franchise taxes, special assessments, licenses, charges for services, interest income and intergovernmental revenue.

2. Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

TOWN OF OLIVER SPRINGS, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(f) Basis of Accounting (Continued)**3. Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

(g) Fund Balances

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" states that the objective is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Non-spendable, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, donors, grantors, or through enabling legislation,

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a resolution adopted by the Board (the Town's highest level of decision making authority),

Assigned fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Town gives the Board of Aldermen the authority to assign fund balance, and

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

TOWN OF OLIVER SPRINGS, TENNESSEE

Notes to Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(g) Fund Balances (Continued)

If the Town has an expenditure that is incurred for purposes of multiple account classification, the Town's policy is to apply the expenditures in the following order: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified.

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

(h) Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. When expenditures are incurred with unrestricted resources, the Town uses the Governmental Accounting Standards Board's policy. Committed amounts are used first, followed by assigned amounts, and then unassigned amounts.

(i) Budgetary Procedures and Budgetary Accounting

Prior to the beginning of the fiscal year, the Town Board of Mayor and Aldermen prepares and approves an operating budget for all governmental funds and holds hearings. All supplemental appropriations must also be approved by the Town Board of Mayor and Aldermen. Actual expenditures and operating transfers out may not legally exceed "budget" appropriations at the individual fund level. Budgetary control, however, is maintained at the departmental level. During the year ended June 30, 2012, the Town overexpended legally adopted fund budgets in the General Fund and Sanitation Fund.

Appropriations lapse at the close of the fiscal year to the extent that they have not been transferred or encumbered.

The Town prepares its budget on a basis of accounting that differs from accounting principles generally accepted in the United States of America (GAAP). The major difference between the budgetary basis of accounting and GAAP is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a classification of fund balance (GAAP). At June 30, 2012, there were no encumbrances.

Budgeted amounts are as originally adopted or as amended by the Town Board of Mayor and Aldermen.

TOWN OF OLIVER SPRINGS, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(j) Property Taxes Receivable

The Town's property taxes, levied on or about October 1, become delinquent on March 1. Property taxes attach as an enforceable lien on property on January 1. The county tax assessor provides the property assessment but the Town bills and collects its own taxes. Property tax revenues are recognized when levied to the extent that they result in current receivables within 60 days of the end of the year. Property taxes recognized as a receivable before the period of revenue recognition are reported as deferred revenue.

At June 30, 2012, the Town's 2012 property taxes of \$405,000 were not scheduled to be billed until October 2012. Consequently, separate accounts for unbilled property taxes and deferred revenue – unbilled property taxes totaling \$405,000 are recorded.

(k) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds. Open encumbrances at year-end are reported within the appropriate fund balance categories for the specific purpose of the encumbrance of assigned if not previously restricted or committed for a specific purpose. Encumbrances do not constitute expenditures or liabilities.

(l) Inventories

Inventories are valued at the lower of cost (weighted average method) or market.

(m) Capitalization of Interest

The Town capitalizes net interest costs and interest earned as part of the cost of constructing various fixed assets when material. There was no capitalized interest for the year ended June 30, 2012.

(n) Cash Equivalents

For purposes of these financial statements, the Town considers all highly liquid investments (including restricted assets) having original maturity dates of three months or less when purchased to be cash equivalents.

(o) Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Short-term amounts owed between funds are classified as "Due to/from other funds." Interfund loans are classified as "Interfund notes receivable/payable."

TOWN OF OLIVER SPRINGS, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(p) Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. All capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their estimated fair market values as of the date received. Net interest costs during construction periods are capitalized for assets acquired by the issuance of long-term debt. Major additions and improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged to operations.

Town

The Town maintains a capitalization threshold of five hundred dollars.

All reported capital assets except for land and land improvements are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	10 - 40 years
Machinery and equipment	10 years
Vehicles	10 - 40 years
Furniture and fixtures	10 years
Streets	100 years

Water and Sewer Fund

The Water and Sewer Fund maintains a capitalization threshold of five hundred dollars. All reported capital assets except for land and land improvements are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Description</u>	<u>Estimated Useful Lives</u>
Vehicles	5 years
Machinery and equipment	5 - 10 years
Water and sewer plant	30 - 50 years

TOWN OF OLIVER SPRINGS, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(q) Compensated Absences

Compensated absences are reported in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation and sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means. The Town records a liability for accumulated unused vacation time and sick leave for all employees in accordance with the Town's vesting policy.

All vacation leave and vested sick leave is accrued when incurred in the government-wide statements. A liability for vacation pay and vested sick leave is reported in governmental funds only if amounts have matured; for example, as a result of employee resignations and retirements.

Sick leave is earned and credited to hourly employees at the rate of eight hours per month. However, an employee is not eligible to use sick leave credits until completion of three months' employment. There is no limit on the amount of sick leave which may be accumulated by an employee.

An employee who retires or is terminated with two or more years of continuous service and a minimum of 160 hours (20 days) of accrued sick leave may add their accrued sick leave to length of service for retirement purposes.

Full-time salaried employees do not accrue sick days; however, they will receive their regular salary throughout their absence up to 18 months.

Employees hired before February 16, 2006 are subject to a prior sick leave policy which allowed for payment of a percentage of accrued sick leave (up to 800 hours) based on length of service. For employees subject to this prior policy, hours accumulated at February 16, 2006 are banked for future use. Any banked amount not used at retirement will be paid to the employee based on vesting percentages determined by length of service.

All full-time personnel receive vacation leave in the following manner:

0 to 1 year of employment	1 week/year
2nd thru 4th year of employment	2 weeks/year
5th thru 10th year of employment	3 weeks/year
Over 10 years of employment	4 weeks/year

Vacation leave can accumulate up to but not to exceed thirty days. All leave accumulated in excess of 30 days is lost on December 31 of each year. An employee is not eligible to use annual leave credits until completion of six months of employment.

TOWN OF OLIVER SPRINGS, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(r) Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

(s) Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

(t) Debt Premiums, Discounts and Issuance Costs

Bonds payable are reported net of any applicable bond premium or discount. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

(u) 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.

(v) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

(w) Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Town and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

TOWN OF OLIVER SPRINGS, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(x) Operating and Non-Operating Revenues

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in financial statements.

(y) Totals

The total column on the fund financial statements is only presented to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash, Cash Equivalents and InvestmentsCash and Cash Equivalents:

At June 30, 2012, all of the Town's deposits with financial institutions were insured by federal depository insurance or by bank participation in the Tennessee Bank Collateral Pool. Interest rates on these accounts range from 0.00% - 0.05%.

Investments:

At June 30, 2012, the Town had certificates of deposit whose maturities were greater than three months at the time of purchase. Interest rates on these certificates of deposit range from 0.05% - 2.25%.

Investments - The Town is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, obligations of any municipality rated as to investment quality of "A" or its equivalent rating, commercial paper in the highest rating which matures within 270 days from purchase date, U.S. dollar denominated deposit accounts and federal funds and bankers' acceptances with domestic commercial banks which have a rating of "A" or its equivalent rating on their short-term certificates of deposit on the date of purchase and maturing within 360 days of the purchase date.

(3) Capital Assets

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

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 192,000	\$ 15,000	\$ -	\$ 207,000

TOWN OF OLIVER SPRINGS, TENNESSEE

Notes to Basic Financial Statements
(Continued)(3) Capital Assets (Continued)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>Governmental Activities (Continued)</u>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 836,968	\$ 100,039	\$ -	\$ 937,007
Machinery and equipment	400,638	30,665	11,774	419,529
Vehicles	469,394	11,957	24,900	456,451
Streets	836,248	-	-	836,248
	<u>2,543,248</u>	<u>142,661</u>	<u>36,674</u>	<u>2,649,235</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	184,809	26,293	-	211,102
Machinery and equipment	178,354	39,943	8,941	209,356
Vehicles	160,204	36,478	14,518	182,164
Streets	375,057	7,021	-	382,078
	<u>898,424</u>	<u>109,735</u> *	<u>23,459</u>	<u>984,700</u>
Total accumulated depreciation				
Capital assets, being depreciated, net	<u>1,644,824</u>	<u>32,926</u>	<u>13,215</u>	<u>1,664,535</u>
Governmental activities capital assets, net	<u>\$ 1,836,824</u>	<u>\$ 47,926</u>	<u>\$ 13,215</u>	<u>\$ 1,871,535</u>

*Depreciation expense was charged to governmental functions as follows:

General government	\$ 15,963
Health, welfare and social services	361
Public safety	53,750
Public works	26,572
Culture and recreational	13,089
	<u>109,735</u>
Total depreciation expense	<u>\$ 109,735</u>

Business-type capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>Business-Type Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 43,545	\$ -	\$ -	\$ 43,545
	<u>43,545</u>	<u>-</u>	<u>-</u>	<u>43,545</u>
Total capital assets, not being depreciated				

TOWN OF OLIVER SPRINGS, TENNESSEE

Notes to Basic Financial Statements
(Continued)(3) Capital Assets (Continued)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>Business-Type Activities (Continued)</u>				
Capital assets, being depreciated:				
Utility plant:				
Water and Sewer Plant	\$ 12,827,475	\$ 10,144	\$ -	\$ 12,837,619
Machinery and equipment	329,662	-	-	329,662
Vehicles	99,702	-	-	99,702
	<u>13,256,839</u>	<u>10,144</u>	<u>-</u>	<u>13,266,983</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Utility plant:				
Water and Sewer Plant	5,758,773	322,176	-	6,080,949
Machinery and equipment	311,200	4,536	-	315,736
Vehicles	99,702	-	-	99,702
	<u>6,169,675</u>	<u>326,712</u>	<u>-</u>	<u>6,496,387</u>
Total accumulated depreciation				
Capital assets, being depreciated, net	<u>7,087,164</u>	<u>(316,568)</u>	<u>-</u>	<u>6,770,596</u>
Business-type activities capital assets, net	<u>\$ 7,130,709</u>	<u>\$ (316,568)</u>	<u>\$ -</u>	<u>\$ 6,814,141</u>

Depreciation amounted to \$326,712 for the year ended June 30, 2012, of which \$ -0- was capitalized.

(4) Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Due Within One Year
<u>Governmental Activities</u>					
William and Connie Sharp Town Hall Loan, 2/1/21	\$ 290,000	\$ -	\$ 30,000	\$ 260,000	\$ 30,000
Compensated absences	36,046	61,616	58,381	39,281	15,717
	<u>\$ 326,046</u>	<u>\$ 61,616</u>	<u>\$ 88,381</u>	<u>\$ 299,281</u>	<u>\$ 45,717</u>

TOWN OF OLIVER SPRINGS, TENNESSEE

Notes to Basic Financial Statements
(Continued)(4) Long-Term Liabilities (Continued)Notes

\$300,000 Capital Outlay Note, Series 2011, due in monthly installments of \$2,500 through February 1, 2021. There is no interest due on this note. \$ 260,000

Total Notes Payable \$ 260,000

Business-Type Activities	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Due Within One Year
CDBG Loan	\$ 68,156	\$ -	\$ 21,921	\$ 46,235	\$ 22,781
1978 FHA Bonds	60,000	-	7,000	53,000	8,000
State Revolving Loan (SRF 92-045) to finance sewer renovation	662,897	-	142,956	519,941	147,744
Water and Sewer Revenue and Tax Bonds, Series 2004	265,119	-	4,130	260,989	4,315
Compensated absences	37,972	19,380	27,113	30,239	30,239
	<u>\$ 1,094,144</u>	<u>\$ 19,380</u>	<u>\$ 203,120</u>	<u>\$ 910,404</u>	<u>\$ 213,079</u>

Revenue Bonds

\$89,500 CDBG Loan, due in annual principal installments ranging from \$22,781 to \$23,454 through February 24, 2014. Interest at 4.00%. \$ 46,235

FHA Water Revenue and Tax Deficiency Bonds, Series 1978, due in annual principal installments ranging from \$8,000 to \$10,000 through January 1, 2018. Interest at 5.00%. 53,000

State Revolving Loan (SRF 92-045) to finance sewer renovation, due in monthly principal and interest installments of \$13,685 through 2016. Interest at 3.3%. 519,941

Water and Sewer Revenue and Tax Bonds, Series 2004, due in monthly principal and interest installments of \$1,304 through 2042. Interest at 4.375%. 260,989

Total Bonds Payable \$ 880,165

TOWN OF OLIVER SPRINGS, TENNESSEE

Notes to Basic Financial Statements
(Continued)(4) Long-Term Liabilities (Continued)Principal and Interest Requirements

The annual requirements to amortize long-term liabilities as of June 30, 2012 are as follows:

	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 30,000	\$ -	\$ 182,840	\$ 32,118	\$ 212,840	\$ 32,118
2014	30,000	-	188,662	25,657	218,662	25,657
2015	30,000	-	171,521	18,972	201,521	18,972
2016	30,000	-	75,605	13,248	105,605	13,248
2017	30,000	-	14,139	11,234	44,139	11,234
2018-2022	110,000	-	39,349	49,141	149,349	49,141
2023-2027	-	-	36,510	41,730	36,510	41,730
2028-2032	-	-	45,419	32,821	45,419	32,821
2033-2038	-	-	56,504	21,736	56,504	21,736
2039-2043	-	-	69,616	7,938	69,616	7,938
Total	<u>\$ 260,000</u>	<u>\$ -</u>	<u>\$ 880,165</u>	<u>\$ 254,595</u>	<u>\$ 1,140,165</u>	<u>\$ 254,595</u>

(5) Leases

The Town leases office space from the Omega Lodge No. 536. The rented area is used by the Town Hall and the Water Department. The Town entered into a new lease agreement with the Omega Lodge beginning July 1, 2004 and expiring June 30, 2014, with rental payments due of \$4,920 per year.

Future rental payments as of June 30, 2012 are as follows:

Fiscal Year June 30,	
2013	\$ 4,920
2014	4,920

(6) Pension Plan

Employees of the Town of Oliver Springs are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year

TOWN OF OLIVER SPRINGS, TENNESSEE

Notes to Basic Financial Statements
(Continued)

(6) Pension Plan (Continued)

average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Town of Oliver Springs participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

The Town of Oliver Springs requires employees to contribute 5.0 percent of earnable compensation.

The Town of Oliver Springs is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012 was 4.99 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. Contribution requirements for the Town of Oliver Springs are established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2012, the Town of Oliver Springs' annual pension cost of \$52,748 to the TCRS was equal to the Town of Oliver Springs' required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (d) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a ten-year period. The Town of Oliver Springs' unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 13 years. An actuarial evaluation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

TOWN OF OLIVER SPRINGS, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Pension Plan (Continued)Annual Pension Cost (Continued)

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 52,748	100.00%	\$0
6/30/2011	57,774	100.00%	\$0
6/30/2010	39,075	100.00%	\$0
6/30/2009	36,019	100.00%	\$0
6/30/2008	50,050	100.00%	\$0
6/30/2007	51,044	100.00%	\$0
6/30/2006	34,988	100.00%	\$0
6/30/2005	31,274	100.00%	\$0
6/30/2004	15,083	100.00%	\$0
6/30/2003	14,894	100.00%	\$0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the Plan was 95.22 percent funded. The actuarial accrued liability for benefits was \$2.26 million, and the actuarial value of assets was \$2.16 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.11 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$1.9 million, and the ratio of the UAAL to the covered payroll was 9.13 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the AALs for benefits.

The Governmental Accounting Standards Board (GASB) requires the Plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method went into effect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

(7) Interfund Receivables/Payables

Interfund receivable/payable balances at June 30, 2012 are as follows:

Due From	Due To		Total
	General Fund	Sanitation Fund	
Drug Enforcement Fund	\$ 420	\$ -	\$ 420
Water and Sewer Fund	-	3,062	3,062
Total	<u>\$ 420</u>	<u>\$ 3,062</u>	<u>\$ 3,482</u>

TOWN OF OLIVER SPRINGS, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Interfund Receivables/Payables (Continued)

The Drug Enforcement Fund owed the General Fund money for expenses paid in a prior year by the General Fund.

The Water and Sewer Fund bills and collects for the Sanitation Fund. Those collections are remitted to the Sanitation Fund monthly.

(8) Due From Other Governments

Amounts due from other governments at June 30, 2012 consist of the following:

State of Tennessee	City Streets and Transportation	\$ 1,104
State of Tennessee	Sales Tax	44,125
State of Tennessee	Income Tax	7,091
State of Tennessee	Business Tax	1,024
State of Tennessee	Gasoline and Motor Fuel Tax	<u>14,871</u>
		<u>\$ 68,215</u>

(9) Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases commercial insurance for all of these risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

(10) Litigation

From time to time there are lawsuits and/or claims pending against the Town of Oliver Springs, Tennessee. In the event of any unfavorable outcomes, the Town has insurance coverage; however, there may be certain reservations of coverage as to certain aspects of the claims. Therefore, the Town may be subject to losses, which are not ascertainable at this time.

(11) Interfund Transfers

<u>Transfers To:</u>	<u>Transfers From:</u>
	<u>General Fund</u>
Sanitation Fund	<u>\$ 11,916</u>
Total	<u>\$ 11,916</u>

Transfers were used to move General Fund monies to cover Sanitation expenses in excess of charges.

(12) Subsequent Events

Subsequent to June 30, 2012 and before the financial statements were issued on February 25, 2013, the Town acquired a new capital loan in the amount of \$77,516 to assist in the purchase of three police vehicles.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF OLIVER SPRINGS, TENNESSEE

Schedule of Funding Progress

June 30, 2012

SCHEDULE OF FUNDING PROGRESS FOR THE TOWN OF OLIVER SPRINGS' PENSION PLAN

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July, 1 2011	\$2,156	\$2,264	\$108	95.22%	\$1,186	9.13%
July, 1 2009	\$1,735	\$1,959	\$225	88.54%	\$927	24.23%
July 1, 2007	\$1,671	\$1,915	\$244	87.26%	\$1,000	24.40%

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF OLIVER SPRINGS, TENNESSEE
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2012

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Balance July 1, 2011		Receipts	Expenditures	Balance June 30, 2012	
			Receivable	Unexpended			Receivable	Unexpended
FEDERAL AWARDS:								
Federal Emergency Management Agency	97.044	EMW-2010-FO-01218	\$ -	\$ 7,105	\$ 11,615	\$ 18,720	\$ -	\$ -
ARRA - Department of Economic and Community Development	81.128	CG-1133176	27,400	-	27,400	-	-	-
TN Housing Development Agency	N/A	HM-09-34	-	-	61,931	61,931	-	-
TOTAL FEDERAL AWARDS			<u>27,400</u>	<u>7,105</u>	<u>100,946</u>	<u>80,651</u>	<u>-</u>	<u>-</u>
STATE AWARDS:								
TN Technology Grant	N/A	N/A	-	-	580	580	-	-
TN Law Enforcement Grant	N/A	N/A	-	-	5,000	5,000	-	-
Volunteer Fire Assistant Grant	N/A	N/A	-	-	2,940	2,940	-	-
TOTAL STATE AWARDS			<u>-</u>	<u>-</u>	<u>8,520</u>	<u>8,520</u>	<u>-</u>	<u>-</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 27,400</u>	<u>\$ 7,105</u>	<u>\$ 109,466</u>	<u>\$ 89,171</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

TOWN OF OLIVER SPRINGS, TENNESSEE

Nonmajor Governmental Funds
Balance Sheet

June 30, 2012

	Sanitation Fund	State Street Aid Fund	Drug Enforcement Fund	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Accounts receivable:				
Due from customers	\$ 20,465	\$ -	\$ -	\$ 20,465
Due from other funds	3,062	-	-	3,062
Restricted:				
Cash and cash equivalents	-	32,706	37,486	70,192
Accounts receivable - Due from governmental units	-	14,871	-	14,871
 Total assets	 <u>\$ 23,527</u>	 <u>\$ 47,577</u>	 <u>\$ 37,486</u>	 <u>\$ 108,590</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Deferred revenue	\$ 10,904	\$ -	\$ -	\$ 10,904
Restricted:				
Due to other funds	-	-	420	420
Funds held in trust	-	-	804	804
 Total liabilities	 <u>10,904</u>	 <u>-</u>	 <u>1,224</u>	 <u>12,128</u>
Fund balances:				
Restricted	-	47,577	36,262	83,839
Committed	12,623	-	-	12,623
 Total fund balances	 <u>12,623</u>	 <u>47,577</u>	 <u>36,262</u>	 <u>96,462</u>
 Total liabilities and fund balances	 <u>\$ 23,527</u>	 <u>\$ 47,577</u>	 <u>\$ 37,486</u>	 <u>\$ 108,590</u>

See independent auditor's report.

TOWN OF OLIVER SPRINGS, TENNESSEE

Nonmajor Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	Sanitation Fund				State Street Aid Fund				Drug Enforcement Fund				Total Nonmajor Governmental Funds			
	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Revenues:																
Intergovernmental revenue:																
State gas and motor fuel tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,762	\$ 89,551	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,762	\$ 89,551
Fines and forfeits	-	-	-	-	-	-	-	-	-	18,128	17,843	52,471	-	18,128	17,843	52,471
Interest Income	-	-	-	-	-	-	19	37	-	17	22	13	-	17	41	60
Donations	-	-	-	-	-	-	-	-	-	3,357	3,357	5,695	-	3,357	3,357	5,695
Charges for service	121,000	121,000	120,408	88,402	-	-	-	-	-	-	-	-	121,000	121,000	120,408	88,402
Miscellaneous	-	-	-	-	-	-	-	-	-	20,712	20,712	1,000	-	20,712	20,712	1,000
Total revenues	121,000	121,000	120,408	88,402	-	-	83,761	89,588	-	42,214	41,934	58,179	121,000	163,214	246,123	237,169
Expenditures:																
Personnel services	-	-	-	-	-	-	-	-	500	7,500	-	-	500	7,500	-	-
Employee education and training	-	-	-	-	-	-	-	-	500	500	110	382	500	500	110	382
Per diem	-	-	-	-	-	-	-	-	200	200	-	-	200	200	-	-
Contractual services	121,000	121,000	128,595	123,661	-	-	-	-	1,500	1,500	625	6,748	122,500	122,500	129,220	130,409
Vehicle tow-in services	-	-	-	-	-	-	-	-	2,500	3,500	1,835	1,665	2,500	3,500	1,835	1,665
Printing	-	-	-	-	-	-	-	-	200	1,200	296	-	200	1,200	296	-
Memberships and registrations	-	-	-	-	-	-	-	-	100	100	-	630	100	100	-	630
Public relations	-	-	-	-	-	-	-	-	-	4,000	2,237	1,357	-	4,000	2,237	1,357
Auction fees	-	-	-	-	-	-	-	-	450	1,684	1,447	2,150	450	1,684	1,447	2,150
Electric	-	-	-	-	48,600	48,600	42,656	47,730	-	-	-	-	48,600	48,600	42,656	47,730
Repair services	-	-	-	-	3,000	3,000	7,177	1,300	-	60	60	-	3,000	3,060	7,237	1,300
Vaccinations and drug testing	-	-	-	-	-	-	-	-	-	-	-	74	-	-	-	74
Supplies	-	-	-	-	7,300	7,300	3,952	6,085	5,000	5,000	5,440	3,911	12,300	12,300	9,392	9,996
Small items of equipment	-	-	-	-	1,100	1,100	-	-	6,000	11,000	6,848	13,988	7,100	12,100	6,848	13,988
Clothing and uniforms	-	-	-	-	-	-	-	-	-	2,500	2,271	72	-	2,500	2,271	72
Repair - motor vehicle	-	-	-	-	6,000	5,000	-	-	-	-	-	-	6,000	6,000	-	-
Metal products	-	-	-	-	1,500	1,500	252	1,214	-	-	-	-	1,500	1,500	252	1,214
Concrete and crushed stone	-	-	-	-	3,500	3,500	458	1,297	-	-	-	-	3,500	3,500	458	1,297
Asphalt and asphalt filler	-	-	-	-	47,500	47,500	5,858	167,108	-	-	-	-	47,500	47,500	5,858	167,108
Special investigative funds	-	-	-	-	-	-	-	-	-	-	7,000	1,280	-	-	7,000	1,280
Capital outlay	-	-	-	-	-	-	15,313	-	5,599	26,019	-	28,500	5,599	26,019	15,313	28,500
Total expenditures	121,000	121,000	128,595	123,661	118,500	118,500	75,666	224,734	22,549	64,763	28,169	60,757	262,049	304,263	232,430	409,152
Revenues over (under) expenditures	-	-	(8,187)	(35,259)	(118,500)	(118,500)	8,115	(135,146)	(22,549)	(22,549)	13,765	(1,578)	(141,049)	(141,049)	13,693	(171,983)
Other financing sources (uses):																
Transfers (to) from general fund	-	-	11,916	36,309	-	-	-	70,000	-	-	-	-	-	-	11,916	106,309
Total other financing sources (uses)	-	-	11,916	36,309	-	-	-	70,000	-	-	-	-	-	-	11,916	106,309
Revenues and other financing sources over (under) expenditures and other financing uses	-	-	3,729	1,050	(118,500)	(118,500)	8,115	(65,146)	(22,549)	(22,549)	13,765	(1,578)	(141,049)	(141,049)	25,609	(65,674)
Fund balance, beginning	8,894	8,894	8,894	7,844	39,462	39,462	39,462	104,608	22,497	22,497	22,497	24,075	70,853	70,853	70,853	136,527
Fund balance, ending	\$ 8,894	\$ 8,894	\$ 12,623	\$ 8,894	\$ (79,038)	\$ (79,038)	\$ 47,577	\$ 39,462	\$ (52)	\$ (52)	\$ 36,262	\$ 22,497	\$ (70,196)	\$ (70,196)	\$ 96,462	\$ 70,853

See independent auditor's report.

TOWN OF OLIVER SPRINGS, TENNESSEE

Schedule of Long-Term Principal and Interest Requirements by Issue
Governmental Activities

June 30, 2012

Fiscal Year June 30,	William & Connie Sharp Town Hall Loan		Total	
	Principal	Interest	Principal	Interest
2013	\$ 30,000	\$ -	\$ 30,000	\$ -
2014	30,000	-	30,000	-
2015	30,000	-	30,000	-
2016	30,000	-	30,000	-
2017	30,000	-	30,000	-
2018	30,000	-	30,000	-
2019	30,000	-	30,000	-
2020	30,000	-	30,000	-
2021	20,000	-	20,000	-
	<u>\$ 260,000</u>	<u>\$ -</u>	<u>\$ 260,000</u>	<u>\$ -</u>

See independent auditor's report.

TOWN OF OLIVER SPRINGS, TENNESSEE

Schedule of Long-Term Principal and Interest Requirements by Issue
Business-Type Activities

June 30, 2012

Fiscal Year June 30,	1978 Water Revenue and Tax Bonds		1995 Wastewater Facility Revolving Loan		2004 Water and Sewer Revenue and Tax Bonds		2008 CDBG Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 8,000	\$ 2,450	\$ 147,744	\$ 16,476	\$ 4,315	\$ 11,333	\$ 22,781	\$ 1,859	\$ 182,840	\$ 32,118
2014	8,000	2,050	152,700	11,520	4,508	11,140	23,454	947	188,662	25,657
2015	9,000	1,625	157,812	6,408	4,709	10,939			171,521	18,972
2016	9,000	1,175	61,685	1,345	4,920	10,728			75,605	13,248
2017	9,000	725			5,139	10,509			14,139	11,234
2018	10,000	250			5,369	10,279			15,369	10,529
2019					5,608	10,040			5,608	10,040
2020					5,859	9,789			5,859	9,789
2021					6,120	9,528			6,120	9,528
2022					6,393	9,255			6,393	9,255
2023					6,679	8,969			6,679	8,969
2024					6,977	8,671			6,977	8,671
2025					7,288	8,360			7,288	8,360
2026					7,613	8,035			7,613	8,035
2027					7,953	7,695			7,953	7,695
2028					8,308	7,340			8,308	7,340
2029					8,679	6,969			8,679	6,969
2030					9,067	6,581			9,067	6,581
2031					9,471	6,177			9,471	6,177
2032					9,894	5,754			9,894	5,754
2033					10,336	5,312			10,336	5,312
2034					10,797	4,851			10,797	4,851
2035					11,279	4,369			11,279	4,369
2036					11,783	3,865			11,783	3,865
2037					12,309	3,339			12,309	3,339
2038					12,858	2,790			12,858	2,790
2039					13,432	2,216			13,432	2,216
2040					14,032	1,616			14,032	1,616
2041					14,658	990			14,658	990
2042					14,636	326			14,636	326
	<u>\$ 53,000</u>	<u>\$ 8,275</u>	<u>\$ 519,941</u>	<u>\$ 35,749</u>	<u>\$ 260,989</u>	<u>\$ 207,765</u>	<u>\$ 46,235</u>	<u>\$ 2,806</u>	<u>\$ 880,165</u>	<u>\$ 254,595</u>

See independent auditor's report.

TOWN OF OLIVER SPRINGS, TENNESSEE

Schedule of Utility Plant, Property and Equipment, and Accumulated Depreciation

For the Fiscal Year Ended June 30, 2012

	Utility Plant, Property and Equipment				Accumulated Depreciation				Net Book Value
	Balance June 30, 2011	Additions	Retirements and Reclassifications	Balance June 30, 2012	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	
Water and Sewer Fund									
Classified plant in service:									
Land and land rights	\$ 43,545	\$ -	\$ -	\$ 43,545	\$ -	\$ -	\$ -	\$ -	\$ 43,545
Source of supply land	6,000	-	-	6,000	-	-	-	-	6,000
Source of supply structures	621,288	10,144	-	631,432	497,373	15,659	-	513,032	118,400
Electric pumping equipment	115,934	-	-	115,934	51,931	3,864	-	55,795	60,139
Purification system	26,101	-	-	26,101	16,795	653	-	17,448	8,653
Transmission mains	956,953	-	-	956,953	794,911	23,924	-	818,835	138,118
Distribution mains	1,745,235	-	-	1,745,235	741,370	43,631	-	785,001	960,234
Services	33,857	-	-	33,857	33,857	-	-	33,857	-
Meters	574,423	-	-	574,423	83,887	57,442	-	141,329	433,094
Hydrants	49,954	-	-	49,954	33,866	1,249	-	35,115	14,839
Meter reading equipment	37,768	-	-	37,768	19,309	4,536	-	23,845	13,923
Tools and work equipment	284,300	-	-	284,300	284,300	-	-	284,300	-
Sewer plant and lift stations	4,831,561	-	-	4,831,561	1,684,903	96,631	-	1,781,534	3,050,027
Pipelines and accessories	3,217,591	-	-	3,217,591	1,659,970	64,352	-	1,724,322	1,493,269
Booster stations	590,850	-	-	590,850	102,179	14,771	-	116,950	473,900
Machinery and equipment:									
Office furniture and equipment	7,593	-	-	7,593	7,593	-	-	7,593	-
Vehicles:									
Transportation equipment	99,702	-	-	99,702	99,702	-	-	99,702	-
Total classified plant in service	13,242,655	10,144	-	13,252,799	6,111,946	326,712	-	6,438,658	6,814,141
Unclassified plant in service	57,729	-	-	57,729	57,729	-	-	57,729	-
Total plant in service	13,300,384	10,144	-	13,310,528	6,169,675	326,712	-	6,496,387	6,814,141
Construction in process	-	-	-	-	-	-	-	-	-
Total plant	\$ 13,300,384	\$ 10,144	\$ -	\$ 13,310,528	\$ 6,169,675	\$ 326,712	\$ -	\$ 6,496,387	\$ 6,814,141

See independent auditor's report.

TOWN OF OLIVER SPRINGS, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Fiscal Year Ended June 30, 2012

<u>Tax Year</u>	<u>Balance July 1, 2011</u>	<u>Current Assessment</u>	<u>Abatements and Adjustments</u>	<u>Collections</u>	<u>Balance June 30, 2012</u>
2011	\$ -	\$ 404,587	\$ (245)	\$ (372,421)	\$ 31,921
2010	33,663	-	-	(14,907)	18,756
2009	10,975	-	-	(4,096)	6,879
2008	6,974	-	(31)	(1,651)	5,292
2007	5,176	-	(132)	(678)	4,366
2006	5,237	-	(235)	(134)	4,868
2005	3,667	-	(611)	-	3,056
2004	2,136	-	13	-	2,149
2003	3,069	-	(52)	(392)	2,625
2002	742	-	-	-	742
2001	421	-	(421)	-	-
	<u>\$ 72,060</u>	<u>\$ 404,587</u>	<u>\$ (1,714)</u>	<u>\$ (394,279)</u>	80,654
January 1, 2012 property tax assessment not to be billed until October 1, 2012					<u>405,000</u>
					<u>\$ 485,654</u>

See independent auditor's report.

TOWN OF OLIVER SPRINGS, TENNESSEE

Schedule of Insurance in Force and Bonds of Principal Officials

June 30, 2012

Blanket coverage on buildings and personal property	\$ 12,033,164
Inland marine equipment:	
Equipment floater	233,461
Workers' compensation	Statutory
Liability agreement:	
General accident/auto liability:	
Per person	Statutory
Per occurrence	Statutory
Per occurrence for property damage	Statutory
Employee dishonesty bond	150,000

See independent auditor's report.

TOWN OF OLIVER SPRINGS, TENNESSEE

Analysis of Tax Rates and Assessments

June 30, 2012

Fiscal Year	Assessed Value	Tax Rate Per \$100	Total Tax Levy	Total Tax Collections	Total Collections as a Percent of Total Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes Filed in Chancery Court
2002	\$ 30,277,154	\$ 1.25	\$ 390,615	\$ 389,873	99.8%	\$ 742	\$ 742
2003	29,671,513	1.25	393,790	391,165	99.3%	2,625	3,069
2004	29,108,332	1.25	385,613	383,464	99.4%	2,149	2,136
2005	36,623,254	1.03	397,644	393,977	99.1%	3,056	3,667
2006	39,838,993	1.02	406,344	401,107	98.7%	4,868	5,237
2007	39,518,332	1.02	403,258	398,082	98.7%	4,366	5,176
2008	39,729,780	1.02	405,723	398,749	98.3%	5,292	6,974
2009	40,116,972	1.02	409,202	398,227	97.3%	6,879	6,879
2010	48,813,067	0.83 *	406,000	372,337	91.7%	18,756	-
2011	48,707,572	0.83 *	404,342	372,421	92.1%	31,921	-

*Morgan County portion of Town is \$0.90 Per \$100

Source: Town's Management

See independent auditor's report.

TOWN OF OLIVER SPRINGS, TENNESSEE

Utility Rate Structure and Number of Customers

June 30, 2012

WATER RATES

	Inside Town	Outside Town
First 2,000 gallons (minimum)	\$7.50	\$14.00
All over 2,000 gallons (per thousand)	4.10	7.00
Surcharge		4.00

SEWER RATES

First 2,000 gallons (minimum)	\$15.00	\$28.75
All over 2,000 gallons (per thousand)	6.25	12.31

All sewer only customers pay \$30.00.

TAP FEES

	Inside Town	Outside Town
3/4" water meter base	\$1,000	\$1,200
1" water meter base	1,500	1,625
> 2" water meter base	\$1,000 + Cost of labor, material and meter	\$2,000 + Cost of labor, material and meter
All sized sewer taps	\$1,000	\$1,100

GARBAGE RATES

Residential	\$7.00
Commercial	\$9.50 + \$2.50 per additional can

NUMBER OF CUSTOMERS

Water	2,114
Sewer	1,382
Garbage	1,429

Notes

- Multi-dwelling minimum charges are to be calculated as number of units times minimum charge.

See independent auditor's report.

OTHER STATISTICAL SCHEDULES (Unaudited)

TOWN OF OLIVER SPRINGS, TENNESSEE

Miscellaneous Statistical Data

June 30, 2012

Incorporated	1905
Form of government	Mayor - Aldermen
Adopted Home Rule Charter	N/A
Area in square miles	4.3
Police protection:	
Number of stations	1
Number of full-time employees	14
Fire protection:	
Number of stations	2
Number of volunteers	18
Total number of public safety employees (full-time)	14
Recreation:	
Parks (acres)	28
Playgrounds	1
Municipal water plant:	
Average daily consumption in gallons	289,156
Maximum storage capacity in gallons	1,100,000
Paved streets (per lane mile)	133
Water lines (miles)	112
Sanitary sewer (miles)	50

Source: Town's Management

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

BROWN JAKE & McDANIEL, PC

CERTIFIED PUBLIC ACCOUNTANTS
 2607 KINGSTON PIKE, SUITE 110
 KNOXVILLE, TENNESSEE 37919-3336
 865/637-8600 • fax: 865/637-8601

JOE L. BROWN, CPA, CGFM, CGMA
 FRANK D. McDANIEL, CPA, CGFM, CGMA
 TERRY L. MOATS, CPA, CGFM, CGMA
 JAMES E. BOOHER, CPA, CGMA

MEMBERS
 AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

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

Mayor and Board of Aldermen
 Town of Oliver Springs, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oliver Springs, Tennessee (the Town) as of and for the year ended June 30, 2012, which collectively comprise the Town of Oliver Springs, Tennessee's basic financial statements and have issued our report thereon dated February 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. However, of the significant deficiencies described below, we consider items #12-1 through #12-8, to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider items #12-1 to #12-8 described below to be significant deficiencies.

Operating Deficiencies

Purchasing and Cash Disbursements

Finding #12-1: During our testing of disbursements, we noted the following:

- Several instances in which purchases were not quoted or competitively bid when required.
- Several instances where there were no purchase orders.
- Several instances of purchase orders not being signed for approval.

These findings were reported in prior years.

Recommendation: We recommend that purchase orders be completed for all required purchases, quotes or competitive bidding be requested on all required purchases, invoices always be present when making payments, and proper support be obtained for all purchases. These findings were noted in the prior year.

Management's Response: This matter has been changed effective July 1, 2012. We will continue to strive to correct this issue. We are now obtaining competitive bids when possible. All purchase orders are being signed and a preprinted numbered purchase order is being used. Approving signatures are also being provided.

Finding #12-2: During our audit, we noted the Town's fuel cards were not being used properly. The Town paid for fuel expense from statements without reconciling individual receipts to the statements. Individual fuel receipts are not always being submitted. Odometer readings for Town vehicles were not sequential and there were numerous instances of both diesel and unleaded gasoline being purchased for the same vehicle. We also noted instances of multiple fill ups on one vehicle in the same day. This finding was reported in the prior year.

Recommendation: We recommend proper control be maintained over all purchasing and credit cards. We recommend cards be issued by vehicle, not by employee. The system controls only function if cards are assigned and used on a vehicle basis. Also, procedures should be reviewed with employees so that control features of the cards are not compromised because employees fail to use them properly.

Management's Response: We concur. Because we have a limited work force, and employees are forced to do multiple tasks, it is not uncommon for an employee to operate more than one vehicle or piece of equipment during the day. Therefore, it is conceivable that an employee may fill up a truck and a dump truck, or a tractor during the same day with the same fuel card. To reduce our exposure to risk, we stopped issuing cards to each vehicle or piece of equipment, and instead issue them to the employee. We feel that this provides for more individual accountability. We will, however, remind the employees about the necessity of turning in receipts and documentation for all fuel purchases.

Travel

Finding #12-3: During our testing of disbursements, we noted two instances of insufficient travel documentation. There is no explanation for the travel and itemized receipts are not always being turned in with reimbursement request. These findings were reported in the prior years.

Recommendation: We recommend that proper documentation for all travel and meals be retained and purpose of the travel be fully documented.

Management's Response: We concur.

Segregation of Duties

Finding #12-4: The Town employees are responsible for billing, collecting, depositing and recording Town collections. This finding was reported in prior years.

Recommendation: We recommend the Board review employee responsibilities to ensure that no employee has control over a complete transaction.

Management's Response: We concur. We will continue to segregate duties the best we can, taking in to consideration our very small staff.

Journal Entries

Finding #12-5: During our audit, we noted management approval is not required for journal entries. This finding was reported in prior years.

Recommendation: We recommend all journal entries be approved by management.

Management's Response: We concur. Management will approve all journal entries.

Water Line Loss

Finding #12-6: During our audit, we noted that line loss for the Water and Sewer Department is excessive. This finding was reported in the prior year.

Recommendation: We recommend the Board develop a plan to lower water line loss.

Management's Response: This matter is now being tracked more effectively. We have developed forms for water usage for fire, streets, water and sewer for such items as flushing, flow testing, etc. The forms are to be completed and turned into City Hall/Water Clerk within 48 hours of usage. This will allow the means of tracking and reducing our percentage of unaccounted for water usage.

Adjusting Journal Entries

Finding #12-7: During our audit, we had to make significant adjustments to various asset and liability accounts of the Town so the Town's financial statements would conform to generally accepted accounting principles. This finding was reported in prior years.

Recommendation: Management should evaluate the cost and benefits of employing personnel with the technical expertise to detect and correct significant misstatements of asset and liability accounts so the financial statements conform to generally accepted accounting principles.

Management's Response: We concur. We will strive to make these improvements should the necessary funding become available.

Financial Statement Presentation

Finding #12-8: The Town does not employ personnel that have the technical expertise to prepare the annual financial reports in accordance with generally accepted accounting principles. This finding was reported in prior years.

Recommendation: The Town should evaluate the cost and benefits of employing personnel with the technical expertise to prepare the annual financial reports in accordance with generally accepted accounting principles.

Management's Response: We concur. The Town of Oliver Springs will continue to contract the preparation of our annual financial report out to our auditors and will retain the responsibility of reviewing and accepting the financial report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Oliver Springs, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items #12-9 to #12-12.

Drug Fund

Finding #12-9: During our audit, we noted that drug investigation activity logs and reports of confidential funds requested are not being properly completed and there is not proper paperwork for all cash advances. There are no fuel receipts when officer is purchasing gas with drug investigation money. It appears that flash money is not being returned to the Town within 48 hours of being taken out as required. Due to the paperwork not being properly dated and completed, there is no way to tell when the money was returned. We also noted that the "Receipt for Payment to Informant" form is being filled out and signed by the officer, not the informant, and there is no witness signing the form.

Recommendation: We recommend the State of Tennessee Drug Fund Manual be followed for all drug related activity and that all drug investigation reports be properly completed.

Management's Response: We concur.

Budget Compliance

Finding #12-10: During our audit, we noted that the Town overexpended the General Fund and the Sanitation Fund appropriations. This is a violation of state law. This was reported in the prior year.

Recommendation: We recommend that all expenditures be reviewed for proper appropriation prior to disbursement. The Mayor and Board of Aldermen should pass a formal budget amendment before excess expenditures are made. Also, budgeting deficits is not prudent financial management.

Management's Response: We concur. We will periodically review the budgets and make budget amendments as necessary.

Dumping and Sewage Barter Transaction

Finding #12-11: The Town has an unwritten agreement with a contractor to provide sewage pumping services and port-a-toilets to the Town in exchange for the rights to dump raw sewage into the Town's sewer system. The contractor has keys to an outlying pump station and is dumping unsupervised. No Town personnel are validating the quantities or contents being dumped into the system. Also, the Town did not issue a 1099B for this transaction as required by the Internal Revenue Service.

Recommendation: The Board should establish a sewage dump policy and rates. We recommend the Town stop bartering and pay for services the contractor renders. The Town should bill all contractors for sewage dumped in the Town's sewer system. The Town should supervise all contractors that dump and validate the quantities and test the contents. Also, when a barter transaction is entered into, the Town should issue a 1099B.

Management's Response: This matter is being addressed, and we are developing a system to track all amounts dumped or any barter that takes place.

Deficit Fund Balance

Finding #12-12: During our audit, we noted that the water and sewer fund operated in a deficit position. This is the second straight year of deficit operation. According to TCA Section 68-13-1010, the water and sewer system is to be operated in a sound financial position.

Recommendation: We recommend that operating expenses and anticipated growth be reviewed to determine what steps are necessary to operate the water and sewer system in a sound financial position.

Management's Response: This matter will be addressed with our next fiscal budget. We will be looking at a rate increase to allow for improvements to our operations, upkeep and maintenance of our water and sewer system and improve our overall fund standing.

The Town of Oliver Springs, Tennessee's responses to the findings identified in our audit are described above. We did not audit the Town of Oliver Springs, Tennessee's responses and, accordingly, we express no opinion on them.

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

Brown Lake + McDaniel PC
CERTIFIED PUBLIC ACCOUNTANTS

February 25, 2013

TOWN OF OLIVER SPRINGS, TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

All significant deficiencies from the June 30, 2011 Accompanying Schedule of Findings and Questioned Costs, except for the items referenced in the current year 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*, were not noted during the performance of the current year audit.