

TOWN OF GREENEVILLE, TENNESSEE  
Financial Statements and Supplementary Information  
Year Ended June 30, 2012

TOWN OF GREENEVILLE, TENNESSEE  
 Financial Statements and Supplementary Information  
 June 30, 2012

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TOWN OF GREENEVILLE, TENNESSEE  
Roster of Officials and Board Members  
June 30, 2012

Officials

Mr. Todd Smith  
Mrs. Carolyn C. Susong  
Mr. W.T. Daniels

Town of Greeneville City Administrator  
Town of Greeneville Recorder  
Mayor

Board Members

Mrs. Sarah Webster  
Mr. Buddy Hawk  
Mr. Keith Paxton  
Mr. Darrell Bryan



## Independent Auditors' Report

Mayor and Board of Alderman  
Town of Greeneville, 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 Greeneville, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, Tennessee, as of June 30, 2012, and the respective changes in financial position, the respective budgetary comparison for the General Fund and the General Purpose School Fund, 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 March 29, 2013, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The combining and individual nonmajor fund financial statements and the supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the supplementary information listed in the table of contents, 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rodger Moss & Co, PLLC

Greeneville, Tennessee  
March 29, 2013

TOWN OF GREENEVILLE, TENNESSEE  
Management's Discussion and Analysis  
June 30, 2012

As management of the Town of Greeneville, Tennessee (the Town), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the Town's financial statements, which follow this section.

**Financial Highlights**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$154,397,030 (net assets). Of this amount, \$40,806,210 may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net assets).
- While the net assets of the Town's business-type activities increased by \$1,623,763, the net assets of the Town's governmental activities decreased by \$579,330. The decrease in the governmental net assets is largely attributable to an increase of approximately \$505,000 in governmental accounts payable at fiscal year-end, which resulted from an increased amount of purchases made at fiscal year-end.
- At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$15,195,536, a decrease of \$300,054 from the prior year. Of this amount, \$207,812 is nonspendable, \$1,745,273 is restricted, \$115,315 is committed for specific purposes, and \$6,775,784 is assigned. The remaining amount of \$6,351,352 is unrestricted and available for spending at the discretion of the Town. Additionally, beginning fund balance increased \$17,482 for adjustments made to prior year general fund accounts payable. Refer to Note 17 of the notes to the financial statements for additional information.
- At the close of the current fiscal year, the general fund reported a fund balance of \$9,581,644, or 47% of total general fund expenditures including transfers out. This balance includes \$84,478 of nonspendable funds, \$3,961 of restricted funds, \$115,315 committed for specific purposes, and \$2,868,731 assigned. The remaining amount of \$6,509,159 is unrestricted and available for spending at the discretion of the Town.
- The Town's total outstanding long-term debt increased by \$515,251 (1.5%) during the current fiscal year, as detailed in Note 4 of the notes to the financial statements.
- During the current fiscal year, the Town initiated fundamental changes in its form of government. Beginning in late 2011, the Board of Mayor and Aldermen voted to transition to an Aldermen/Administrator form of government. In January of 2012, the Board hired the Town's first City Administrator. While having little impact on the Town's financial standing during fiscal year 2012, this change in form of government points to the Board's interest in long-term planning and further financial stability in the future.

**Overview of the Financial Statements**

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

Government-wide financial statements – The government-wide financial statements are designed to provide readers with both long-term and short-term information about the Town's overall financial status in a manner similar to a private-sector business.

TOWN OF GREENEVILLE, TENNESSEE  
Management's Discussion and Analysis (Continued)

There are two government-wide financial statements:

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

*Statement of Activities* – presents information showing how the Town's net assets changed during the most recent fiscal year. All current year revenues and expenses are taken into account regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish between functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, education, public safety, public works, community development, health and welfare, debt service, and food service. The business-type activities include the Town's electric, water, and sewer operations. The Board of Education, although legally separate, functions as a department of the Town and therefore has been included as a governmental activity of the primary government.

The government-wide financial statements can be found beginning on page 12 of this report.

Fund financial statements – The fund financial statements provide more detailed information about the most significant funds – not the Town as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Greeneville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

*Governmental funds* – The Town's basic services are included in governmental funds. The focus of these funds is on (1) how cash and other financial assets that can readily be converted to cash were received and used and (2) what remains at the end of the fiscal year for future spending. This detailed short-term view helps in determining whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

Because this information does not include the additional long-term focus of the government-wide statements, we provide additional information after the governmental fund statement that explains the differences between the long-term view and the short-term view.

The Town of Greeneville maintains a general fund, multiple special revenue funds, and a capital projects fund as governmental funds. Information is presented separately in the governmental fund statements for the general fund and the general purpose school fund since both of these are considered major funds. Data for the other funds is combined into a single column. Individual fund data for each of these nonmajor governmental funds (including the special revenue funds) is provided in the supplementary section of this report.

Both the Town of Greeneville and the Board of Education adopt a budget for all of their governmental funds. Budgetary comparisons for the general fund and the general purpose school fund are found in the fund financial statements section, and comparisons for the other governmental funds (except the capital projects fund) are provided in the supplementary information section of the report. Budgetary comparisons are provided to demonstrate compliance with the budget.

TOWN OF GREENEVILLE, TENNESSEE  
Management's Discussion and Analysis (Continued)

The governmental fund financial statements begin on page 15 of this report.

*Proprietary funds* – Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The Town of Greeneville maintains one type of proprietary fund: enterprise funds.

Enterprise funds are the same as business-type activities in the government-wide financial statements but provide more detail and additional information, such as cash flows. Greeneville Light & Power and Greeneville Water and Light Commission are both considered major funds.

The proprietary fund statements begin on page 20 of this report.

Notes to the financial statements – The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The additional information contained in these notes is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 30 of this report.

Other information – In addition to the basic financial statements discussed above, this report also presents required supplementary information about the Town's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor special revenue funds are presented as supplementary information, as well as combining statements for the proprietary funds. Also included as supplementary information are budget to actual comparisons for governmental funds other than the general fund, the general purpose school fund, and the capital projects funds, as well as a number of schedules that provide additional detail information about the operations of the Town.

Both the required and additional supplementary information can be found following the notes to the financial statements.

### **Financial Analysis of the Town as a Whole**

#### Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$154,397,030 at the close of the most recent fiscal year. The largest portion of the Town's net assets (74%) reflects its investment in capital assets (land, building, equipment, etc.), less any related debt used to acquire those assets that is still outstanding. Because capital assets are used to provide services to citizens, the assets are not available for future spending. Although the Town's investment in capital assets is shown net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately \$41 million of unrestricted net assets may be used to meet the ongoing obligations of the Town. At the end of the fiscal year, the Town is able to report a positive balance in all categories of net assets: for the government as a whole, as well as for its governmental activities and its business-type activities.

TOWN OF GREENEVILLE, TENNESSEE  
Management's Discussion and Analysis (Continued)

**Town of Greeneville's Net Assets**

(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 30,040	\$ 29,063	\$ 44,307	\$ 42,177	\$ 74,347	\$ 71,240
Capital assets	45,807	46,268	93,115	92,517	138,922	138,785
Total assets	75,847	75,331	137,422	134,694	213,269	210,025
Long-term debt outstanding	25,967	26,430	-	-	25,967	26,430
Other liabilities	13,409	11,850	19,496	18,392	32,905	30,242
Total liabilities	39,376	38,280	19,496	18,392	58,872	56,672
Invested in capital assets, net of debt	20,476	20,440	93,115	92,518	113,591	112,958
Restricted	-	-	-	-	-	-
Unrestricted	15,995	16,611	24,811	23,784	40,806	40,395
Total net assets	\$ 36,471	\$ 37,051	\$ 117,926	\$ 116,302	\$ 154,397	\$ 153,353

Changes in Net Assets

Net assets of the governmental activities of the Town decreased 2% to approximately \$36 million. Of that balance, \$20.5 million is invested in capital assets (buildings, land, equipment, etc.). Therefore, \$16 million remains to meet the Town's ongoing obligations to citizens and creditors.

During the same period, the net assets of the business-type activities increased 1% to \$118 million. However, the Town generally can only use these net assets to finance the continuing operations of the Light & Power System and the Water and Light Commission.

The following is a summary of financial activities for the Town during the fiscal year ended June 30, 2012:

TOWN OF GREENEVILLE, TENNESSEE  
Management's Discussion and Analysis (Continued)

**Town of Greeneville's Changes in Net Assets**

(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program revenues						
Charges for services	\$ 4,132	\$ 3,871	\$ 106,818	\$ 111,830	110,950	115,701
Grants	20,025	18,046	-	-	20,025	18,046
General revenues						
Local taxes	20,835	20,445	-	-	20,835	20,445
Intergovernmental revenues	1,142	1,103	-	-	1,142	1,103
Investment income	79	66	132	177	211	243
Total revenues	<u>\$ 46,213</u>	<u>\$ 43,531</u>	<u>\$ 106,950</u>	<u>\$ 112,007</u>	<u>\$ 153,163</u>	<u>\$ 155,538</u>
Expenses						
Governmental activities						
General government	1,103	1,093	-	-	1,103	1,093
Education	26,627	26,413	-	-	26,627	26,413
Public safety	5,277	4,961	-	-	5,277	4,961
Public works	4,587	3,461	-	-	4,587	3,461
Community development	957	149	-	-	957	149
Health and welfare	1,578	1,589	-	-	1,578	1,589
Debt service	1,442	2,449	-	-	1,442	2,449
Food service	1,436	1,371	-	-	1,436	1,371
Other	3,803	3,160	-	-	3,803	3,160
Business-type activities						
Light & Power System	-	-	98,012	103,929	98,012	103,929
Water and Light Commission	-	-	7,314	7,296	7,314	7,296
Total Expenses	<u>46,810</u>	<u>44,646</u>	<u>105,326</u>	<u>111,225</u>	<u>152,136</u>	<u>155,871</u>
Increase (decrease) in net assets	<u>\$ (597)</u>	<u>\$ (1,115)</u>	<u>\$ 1,624</u>	<u>\$ 782</u>	<u>\$ 1,027</u>	<u>\$ (333)</u>

Governmental Activities

Current fiscal year revenues for the governmental activities of the Town were \$46.2 million while the same period expenses were \$46.8 million. The single largest source of governmental activity revenue, property taxes, accounted for \$10.4 million of total local taxes, while local sales tax and other local taxes comprised \$10.4 million. The largest portion of intergovernmental revenues was state funds for education, which comprised \$15.7 million of the total. The single largest expenditure was education at \$26.6 million.

Business-type Activities

Revenues for the business-type activities of the Town were \$107 million for the fiscal year, a decrease of \$5 million, or 4%. Additionally, the same period saw a \$6 million, or 5%, decrease in expenses to \$105 million.

- The largest source of business-type activity revenue is generated from the Greeneville Light & Power System. During the current fiscal year, sales of electricity decreased 4% to \$100 million. Operating expenses, however, also

TOWN OF GREENEVILLE, TENNESSEE  
Management's Discussion and Analysis (Continued)

- decreased 5% to \$97 million. Purchased power accounted for a \$5.3 million decrease in expenses, with all other operating and maintenance expenses fluctuating minimally.
- The Water and Light Commission is comprised of two operations: the water and the wastewater operations. Operating revenues increased by 2% over the prior fiscal year, while operating expenses increased only minimally, by less than 1%.

**Operating Revenues and Expenses - Business Type Activities**  
(in thousands)

	Light & Power System		Water and Light Commission		Total	
	2012	2011	2012	2011	2012	2011
Revenues	\$ 100,014	\$ 105,114	\$ 6,802	\$ 6,660	\$ 106,816	\$ 111,774
Expenses	96,869	102,827	7,314	7,296	104,183	110,123
Net operating income	<u>\$ 3,145</u>	<u>\$ 2,287</u>	<u>\$ (512)</u>	<u>\$ (636)</u>	<u>\$ 2,633</u>	<u>\$ 1,651</u>

**Financial Analysis of the Town's funds**

The Town uses fund accounting to help it control and manage money for particular purposes or to demonstrate compliance with legal requirements. More detailed analysis is provided below for the Town's funds.

Governmental Funds

Governmental funds focus on providing information on the near-term flow of resources. As the Town completed the year, its governmental funds reported a combined fund balance of \$15.2 million. Approximately 37% of this amount (\$6.3 million) constitutes unassigned fund balance, which is available for spending at the discretion of the Town. All of the governmental funds reported a positive ending fund balance. Information regarding the major governmental funds is presented in the following paragraph.

*General Fund* – The general fund is the chief operating fund of the Town. At the close of the current fiscal year, the general fund reported a total fund balance of \$9.6 million. Of this amount, \$6.5 million (or 67%) was unassigned. Total fund balance of the general fund increased \$.7 million, or 8%, during the fiscal year.

*General purpose school fund* – This fund is the operating fund of the Town of Greeneville Board of Education. At the end of the fiscal year, the general purpose school fund reported a total fund balance of \$3.7 million. Total fund balance of the general purpose school fund increased \$92,334, or 2%, during the fiscal year.

Proprietary Funds

As the Town completed the fiscal year, its proprietary funds, which include two enterprise funds, had a combined fund balance of \$118 million. Of this amount, \$24.8 million was available to meet on-going obligations, with the majority, \$93.1 million, invested in capital assets.

*Light & Power System* – Net assets of the Light & Power System increased \$2 million for a total of \$85 million at the close of the current fiscal year.

TOWN OF GREENEVILLE, TENNESSEE  
Management's Discussion and Analysis (Continued)

*Water and Light Commission* – Net assets of the Water and Light Commission decreased \$.5 million for a total of \$33 million at the close of the current fiscal year.

General Fund Budgetary Highlights

*Original and Final Amended Budget Amounts* – Differences between the original budget and final amended budget for the general fund represent a \$92,000 increase and are detailed as follows:

\$	(95,000)	Public Safety (Police, Fire, Building Inspector, and Civil Defense)
	(83,000)	Public Works
	(90,000)	Health and Welfare
	440,000	Capital Outlay
	(80,000)	Administration (Other Appropriations)
<u>\$</u>	<u>92,000</u>	

This increase in budgeted expenditures was funded by an increase in budgeted local tax revenues and intergovernmental revenues. Within the general government budget category, two new budget departments were created to reflect the creation of the administrator and human resources departments during the current fiscal year. This had a net effect of \$0 on the General Government budget, as the budgets for the new administrator and human resources departments were funded by an equal reduction in the recorder and accounting department budgets.

*Final Amended Budget and Actual Amounts* – Differences between the final amended budget and actual results for the general fund represent a \$154,000 increase. The majority of this increase can be attributed to greater than anticipated capital outlay, public works, and fire department expenditures. This increase in actual expenditures was partially offset by greater than anticipated local tax, intergovernmental, and interest revenues.

**Capital Asset and Debt Administration**

Capital Assets

At the end of the current fiscal year, the Town had \$139 million (net of accumulated depreciation) invested in capital assets, including land and land rights, buildings, utility system improvements, machinery and equipment, and furniture and fixtures. The following table shows the investment in capital assets by both governmental activities and business-type activities.

TOWN OF GREENEVILLE, TENNESSEE  
Management's Discussion and Analysis (Continued)

**Town of Greeneville's Capital Assets**

(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land and land rights	\$ 4,325	\$ 4,325	\$ 2,251	\$ 2,029	\$ 6,576	\$ 6,354
Buildings and improvements	63,591	63,351	34,568	34,499	98,159	97,850
Infrastructure	47,648	46,325	-	-	47,648	46,325
Equipment	14,671	14,004	131,675	128,494	146,346	142,498
Construction in progress	148	500	1,145	563	1,293	1,063
Less accumulated depreciation	(84,576)	(82,237)	(76,524)	(73,067)	(161,100)	(155,304)
	<u>\$ 45,807</u>	<u>\$ 46,268</u>	<u>\$ 93,115</u>	<u>\$ 92,518</u>	<u>\$ 138,922</u>	<u>\$ 138,786</u>

**Debt**

At the end of the current fiscal year, the Town had \$33.4 million in long-term debt outstanding, an increase of \$.5 million, or 2%, over the prior year.

**Town of Greeneville's Outstanding Debt**

(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Notes payable	\$ 24,155	\$ 24,503	\$ -	\$ -	\$ 24,155	\$ 24,503
General obligation bonds	1,115	1,250	-	-	1,115	1,250
Capital leases	61	94	-	-	61	94
TVA home insulation program	-	-	2,009	2,003	2,009	2,003
Other post employment benefits	425	425	4,095	3,172	4,520	3,597
Compensated absences	558	523	716	679	1,274	1,202
Retirement incentive	199	167	-	-	199	167
Due for easements	-	-	38	38	38	38
Total long-term debt	<u>\$ 26,513</u>	<u>\$ 26,962</u>	<u>\$ 6,858</u>	<u>\$ 5,892</u>	<u>\$ 33,371</u>	<u>\$ 32,854</u>

The Town of Greeneville maintains an "A" rating from Standard & Poor's rating service for its general obligation debt.

**Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Greeneville, Recorder's Office, 200 North College Street, Greeneville, Tennessee 37745.

TOWN OF GREENEVILLE, TENNESSEE  
Statement of Net Assets  
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,175,881	\$ 24,310,758	\$ 32,486,639
Certificates of deposit	2,239,198	4,474,000	6,713,198
Investments	-	232,988	232,988
Receivables (net of allowance for uncollectibles)			
Taxes	8,890,149	-	8,890,149
Accounts	812,408	6,900,070	7,712,478
Other	-	3,237,097	3,237,097
Due from other governments	6,858,811	-	6,858,811
Inventory	123,334	1,971,984	2,095,318
Prepaid expenses	84,478	341,196	425,674
Restricted assets			
Cash and cash equivalents	-	251,821	251,821
Self-insurance certificate of deposits	2,168,178	-	2,168,178
Self-insurance investments	159,827	-	159,827
Industrial park fund receivable	-	618,179	618,179
TVA home insulation program receivable	-	1,969,245	1,969,245
Bond issue costs	527,583	-	527,583
Capital assets			
Land	4,324,852	2,250,589	6,575,441
Construction in progress	148,361	1,145,262	1,293,623
Buildings and improvements	63,590,910	34,568,429	98,159,339
Equipment and vehicles	14,671,114	131,674,555	146,345,669
Infrastructure	47,647,803	-	47,647,803
Less: accumulated depreciation	<u>(84,575,976)</u>	<u>(76,523,958)</u>	<u>(161,099,934)</u>
Total capital assets	<u>45,807,064</u>	<u>93,114,877</u>	<u>138,921,941</u>
Total assets	<u>\$ 75,846,911</u>	<u>\$ 137,422,215</u>	<u>\$ 213,269,126</u>

(Continued)

TOWN OF GREENEVILLE, TENNESSEE  
Statement of Net Assets (Continued)  
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 1,191,668	\$ 1,033,810	\$ 2,225,478
Customer deposits	-	2,181,659	2,181,659
Due to TVA for power invoice	-	6,906,732	6,906,732
Accrued expenses	2,195,750	1,997,637	4,193,387
Due to other governmental unit	554,189	-	554,189
Other	-	30,636	30,636
Deferred revenues	8,837,201	487,590	9,324,791
Interest payable	84,333	-	84,333
Capital lease	40,390	-	40,390
Current portion of bonds and notes	505,000	-	505,000
Noncurrent liabilities			
Capital lease	20,585	-	20,585
Bond premium	615,146	-	615,146
Bonds and notes	24,150,000	-	24,150,000
Compensated absences and retirement incentive	756,625	715,935	1,472,560
Other post employment benefits	424,929	4,094,681	4,519,610
TVA home insulation program	-	2,009,225	2,009,225
Amounts due for easements purchased	-	38,375	38,375
Total liabilities	<u>39,375,816</u>	<u>19,496,280</u>	<u>58,872,096</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	20,475,943	93,114,877	113,590,820
Unrestricted	<u>15,995,152</u>	<u>24,811,058</u>	<u>40,806,210</u>
Total net assets	<u>\$ 36,471,095</u>	<u>\$ 117,925,935</u>	<u>\$ 154,397,030</u>

TOWN OF GREENEVILLE, TENNESSEE

Statement of Activities

Year Ended June 30, 2012

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
<b>Primary Government</b>						
Governmental activities						
General government	\$ 1,102,643	\$ 579,958	\$ 2,182,706	\$ 1,660,021	\$ -	\$ 1,660,021
Public enterprises	93,108	-	-	(93,108)	-	(93,108)
Community development	957,609	-	741,326	(216,283)	-	(216,283)
Health and welfare	1,577,551	160,267	99,500	(1,317,784)	-	(1,317,784)
Food service	1,436,266	-	-	(1,436,266)	-	(1,436,266)
Public works	4,587,154	1,254,195	1,275,115	(2,057,844)	-	(2,057,844)
Debt service	1,441,653	-	-	(1,441,653)	-	(1,441,653)
Other	3,710,292	-	-	(3,710,292)	-	(3,710,292)
Public safety	5,277,061	671,232	-	(4,605,829)	-	(4,605,829)
Education	26,626,892	1,466,397	15,726,213	(9,434,282)	-	(9,434,282)
Total governmental activities	<u>46,810,229</u>	<u>4,132,049</u>	<u>20,024,860</u>	<u>(22,653,320)</u>	<u>-</u>	<u>(22,653,320)</u>
Business-type activities						
Light & Power	96,869,412	100,004,491	-	-	3,135,079	3,135,079
Water and Light Commission	7,314,243	6,813,352	-	-	(500,891)	(500,891)
Total business-type activities	<u>104,183,655</u>	<u>106,817,843</u>	<u>-</u>	<u>-</u>	<u>2,634,188</u>	<u>2,634,188</u>
Total primary government	<u>\$ 150,993,884</u>	<u>\$ 110,949,892</u>	<u>\$ 20,024,860</u>	<u>(22,653,320)</u>	<u>2,634,188</u>	<u>(20,019,132)</u>
General revenues and transfers						
Local taxes						
Property taxes				10,398,646	-	10,398,646
Sales taxes				8,593,868	-	8,593,868
Other taxes				1,841,944	-	1,841,944
Unrestricted investment earnings				79,276	131,831	211,107
Transfers				1,142,256	(1,142,256)	-
Total general revenues and transfers				<u>22,055,990</u>	<u>(1,010,425)</u>	<u>21,045,565</u>
Change in net assets				(597,330)	1,623,763	1,026,433
Net assets - beginning, restated				<u>37,068,425</u>	<u>116,302,172</u>	<u>153,370,597</u>
Net assets - ending				<u>\$ 36,471,095</u>	<u>\$ 117,925,935</u>	<u>\$ 154,397,030</u>

See accompanying notes to financial statements.

TOWN OF GREENEVILLE, TENNESSEE

Balance Sheet  
Governmental Funds  
June 30, 2012

	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,429,934	\$ 4,834,697	\$ 1,911,250	\$ 8,175,881
Certificates of deposit	2,017,947	-	221,251	2,239,198
Receivables, net				
Taxes	8,890,149	-	-	8,890,149
Accounts	523,432	173,500	115,476	812,408
Due from other funds	-	221,728	936,268	1,157,996
Due from other governmental units	4,898,116	802,699	-	5,700,815
Inventory	-	-	123,334	123,334
Prepaid expenses	84,478	-	-	84,478
Restricted assets				
Self-insurance certificate of deposits	2,168,178	-	-	2,168,178
Self-insurance investments	159,827	-	-	159,827
Total assets	<u>\$ 20,172,061</u>	<u>\$ 6,032,624</u>	<u>\$ 3,307,579</u>	<u>\$ 29,512,264</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 236,159	\$ 452,134	\$ 503,375	\$ 1,191,668
Accrued liabilities	262,083	1,920,398	13,269	2,195,750
Due to other funds	-	-	429,210	429,210
Due to other governmental units	124,979	-	-	124,979
Deferred revenue - other	-	-	407,925	407,925
Deferred revenue - taxes	9,967,196	-	-	9,967,196
Total liabilities	<u>10,590,417</u>	<u>2,372,532</u>	<u>1,353,779</u>	<u>14,316,728</u>
<b>Fund balances</b>				
Nonspendable	84,478	-	123,334	207,812
Restricted	3,961	3,620	1,737,692	1,745,273
Committed	115,315	-	-	115,315
Assigned	2,868,731	3,656,472	250,581	6,775,784
Unassigned	6,509,159	-	(157,807)	6,351,352
Total fund balances	<u>9,581,644</u>	<u>3,660,092</u>	<u>1,953,800</u>	<u>15,195,536</u>
Total liabilities and fund balances	<u>\$ 20,172,061</u>	<u>\$ 6,032,624</u>	<u>\$ 3,307,579</u>	<u>\$ 29,512,264</u>

TOWN OF GREENEVILLE, TENNESSEE  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
 June 30, 2012

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

Total fund balances of governmental funds	\$ 15,195,536
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	45,807,064
Bond issue costs are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	527,583
Revenues for amounts not received during the period of availability is not considered "available" and has been deferred in the funds.	1,537,920
Other post-employment benefits represent liabilities of the Town that are not recorded at the fund level.	(424,929)
Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability at the fund level.	(84,333)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet:	
Due within one year	(545,390)
Due in more than one year	<u>(25,542,356)</u>
	<u>\$ 36,471,095</u>

TOWN OF GREENEVILLE, TENNESSEE  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2012

	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local taxes	\$ 17,632,043	\$ 4,518,668	\$ -	\$ 22,150,711
Intergovernmental revenues	1,776,241	12,171,404	4,004,774	17,952,419
Charges for services	1,500,155	728,484	1,218,900	3,447,539
Food service	-	-	547,726	547,726
Other revenues	-	412,508	1,639,017	2,051,525
Fines, fees, and costs	132,701	-	-	132,701
Interest income	72,175	4,667	2,434	79,276
Licenses and permits	69,484	-	-	69,484
Use of property	9,600	-	-	9,600
<b>Total revenues</b>	<u>21,192,399</u>	<u>17,835,731</u>	<u>7,412,851</u>	<u>46,440,981</u>
<b>Expenditures</b>				
Education	-	22,651,625	2,811,866	25,463,491
Debt service	1,357,915	534,173	-	1,892,088
Public safety	5,112,990	-	-	5,112,990
Public works	1,692,709	-	3,635,223	5,327,932
Other expenditures	3,446,629	-	-	3,446,629
Health and welfare	1,475,304	-	-	1,475,304
Food service	-	-	1,436,266	1,436,266
General government	601,257	-	-	601,257
Capital outlay	867,595	-	-	867,595
Community development	-	-	1,087,103	1,087,103
Public enterprises	30,380	-	-	30,380
<b>Total expenditures</b>	<u>14,584,779</u>	<u>23,185,798</u>	<u>8,970,458</u>	<u>46,741,035</u>
<b>Excess of revenues under expenditures</b>	<u>6,607,620</u>	<u>(5,350,067)</u>	<u>(1,557,607)</u>	<u>(300,054)</u>
<b>Other financing sources (uses)</b>				
Issuance of bonds	-	-	-	-
Operating transfers in	-	5,442,395	420,612	5,863,007
Operating transfers out	(5,863,007)	6	(6)	(5,863,007)
<b>Total other financing sources</b>	<u>(5,863,007)</u>	<u>5,442,401</u>	<u>420,606</u>	<u>-</u>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ 744,613</u>	<u>\$ 92,334</u>	<u>\$ (1,137,001)</u>	<u>\$ (300,054)</u>

(Continued)

TOWN OF GREENEVILLE, TENNESSEE  
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)  
Governmental Funds  
Year Ended June 30, 2012

	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ 744,613	\$ 92,334	\$ (1,137,001)	\$ (300,054)
Fund balances, July 1, 2011, restated	<u>8,837,031</u>	<u>3,567,758</u>	<u>3,090,801</u>	<u>15,495,590</u>
Fund balances, June 30, 2012	<u>\$ 9,581,644</u>	<u>\$ 3,660,092</u>	<u>\$ 1,953,800</u>	<u>\$ 15,195,536</u>

TOWN OF GREENEVILLE, TENNESSEE  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
 Year Ended June 30, 2012

Net change in fund balances - total governmental funds	\$ (300,054)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$2,647,311) exceeded capital outlay (\$2,186,792) in the current period.	(460,519)
Some property taxes and grants will not be collected for several months after the Town's fiscal year end, therefore, they are not considered "available" revenues and are deferred in the governmental funds.	(254,082)
Expenses for compensated absences and retirement incentives do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(66,393)
Interest expense reported in the statement of activities does not require the use of current financial resources, therefore, it is not reported as an expenditure in the governmental funds.	2,406
Repayment of bond and note principal and leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>481,312</u>
Change in net assets of governmental activities	<u><u>\$ (597,330)</u></u>

TOWN OF GREENEVILLE, TENNESSEE  
Statement of Net Assets  
Proprietary Funds  
June 30, 2012

	Light & Power System	Water and Light Commission	Total Proprietary Funds
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 16,716,808	\$ 7,593,950	\$ 24,310,758
Accounts receivable, net	6,497,915	402,155	6,900,070
Unbilled revenues	2,816,442	-	2,816,442
Grants receivable	327,307	-	327,307
Materials and supplies	1,675,518	296,466	1,971,984
Prepaid expenses	167,909	173,287	341,196
Investment interest receivable	8,474	-	8,474
Short-term investments	-	82,988	82,988
	<u>28,210,373</u>	<u>8,548,846</u>	<u>36,759,219</u>
Total current assets			
Other assets			
Certificates of deposit	4,474,000	-	4,474,000
Investments	150,000	-	150,000
Investment interest receivable	42,623	-	42,623
Other receivables	-	42,251	42,251
Designated funds			
Industrial Park fund cash	251,821	-	251,821
Industrial Park fund receivable	618,179	-	618,179
TVA Home Insulation Program accounts receivable	1,969,245	-	1,969,245
Capital assets, net	67,100,874	24,868,711	91,969,585
Construction in progress	770,110	375,182	1,145,292
	<u>75,376,852</u>	<u>25,286,144</u>	<u>100,662,996</u>
Total other assets			
	<u>\$ 103,587,225</u>	<u>\$ 33,834,990</u>	<u>\$ 137,422,215</u>
Total assets			

TOWN OF GREENEVILLE, TENNESSEE  
Statement of Net Assets (Continued)  
Proprietary Funds  
June 30, 2012

	Light & Power System	Water and Light Commission	Total Proprietary Funds
<b>LIABILITIES</b>			
Current liabilities (payable from current assets)			
Accounts payable	\$ 908,355	\$ 125,455	\$ 1,033,810
Customer deposits	1,884,173	297,486	2,181,659
Accrued tree trimming	1,051,321	-	1,051,321
Due to TVA for power invoice	6,906,732	-	6,906,732
Deferred revenues	487,590	-	487,590
Accrued wages and other accrued liabilities	<u>612,546</u>	<u>333,770</u>	<u>946,316</u>
	<u>11,850,717</u>	<u>756,711</u>	<u>12,607,428</u>
Current liabilities (payable from restricted cash)			
Retainage payable, construction funds	-	15,636	15,636
Construction bonds held	<u>-</u>	<u>15,000</u>	<u>15,000</u>
	<u>-</u>	<u>30,636</u>	<u>30,636</u>
Total current liabilities	<u>11,850,717</u>	<u>787,347</u>	<u>12,638,064</u>
Long-term liabilities			
Accrued sick leave	715,935	-	715,935
Net OPEB obligation	4,094,681	-	4,094,681
TVA home insulation program	2,009,225	-	2,009,225
Amounts due for easements purchased	<u>-</u>	<u>38,375</u>	<u>38,375</u>
Total long-term liabilities	<u>6,819,841</u>	<u>38,375</u>	<u>6,858,216</u>
Total liabilities	<u>18,670,558</u>	<u>825,722</u>	<u>19,496,280</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	67,870,984	25,243,893	93,114,877
Unrestricted	<u>17,045,683</u>	<u>7,765,375</u>	<u>24,811,058</u>
Total net assets	<u>84,916,667</u>	<u>33,009,268</u>	<u>117,925,935</u>
Total liabilities and net assets	<u>\$ 103,587,225</u>	<u>\$ 33,834,990</u>	<u>\$ 137,422,215</u>

TOWN OF GREENEVILLE, TENNESSEE  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds  
Year Ended June 30, 2012

	Light & Power System	Water and Light Commission	Total Proprietary Funds
Operating Revenue			
Sales	\$ 96,144,208	\$ 6,802,065	\$ 102,946,273
Other operating	<u>3,869,769</u>	<u>-</u>	<u>3,869,769</u>
Total operating revenues	<u>100,013,977</u>	<u>6,802,065</u>	<u>106,816,042</u>
Operating Expenses			
Purchased power	80,612,926	-	80,612,926
Distribution expense	4,190,604	-	4,190,604
Provision for depreciation	3,402,160	1,443,251	4,845,411
Other	-	3,920,434	3,920,434
Administrative and general expenses	1,894,658	1,950,558	3,845,216
Maintenance of distribution facilities	3,794,043	-	3,794,043
Customer accounts expense	2,338,672	-	2,338,672
Payments in lieu of taxes	331,623	-	331,623
Sales expense	140,041	-	140,041
Transmission expense	73,246	-	73,246
Maintenance of general plant	87,287	-	87,287
Interest expense	<u>4,152</u>	<u>-</u>	<u>4,152</u>
Total operating expenses	<u>96,869,412</u>	<u>7,314,243</u>	<u>104,183,655</u>
Operating income (loss)	<u>3,144,565</u>	<u>(512,178)</u>	<u>2,632,387</u>
Other Income			
Interest income	88,019	43,812	131,831
Gain on disposal	41,194	8,750	49,944
Other	<u>(50,680)</u>	<u>2,537</u>	<u>(48,143)</u>
Total other income	<u>78,533</u>	<u>55,099</u>	<u>133,632</u>
Transfers out			
Payments in lieu of tax	<u>(1,142,256)</u>	<u>-</u>	<u>(1,142,256)</u>
Changes in net assets	2,080,842	(457,079)	1,623,763
Total net assets - beginning, restated for Light and Power System	<u>82,835,825</u>	<u>33,466,347</u>	<u>116,302,172</u>
Total net assets - ending	<u>\$ 84,916,667</u>	<u>\$ 33,009,268</u>	<u>\$ 117,925,935</u>

TOWN OF GREENEVILLE, TENNESSEE  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2012

	Light & Power System	Water and Light Commission	Total Proprietary Funds
<b>Cash Flows From Operating Activities</b>			
Cash receipts from customers	\$ 98,624,695	\$ 6,875,628	\$ 105,500,323
Cash receipts from grantors	633,644	\$ -	633,644
Cash paid to suppliers for goods and services and employees	<u>(91,098,200)</u>	<u>(6,143,493)</u>	<u>(97,241,693)</u>
Net cash flows from operating activities	<u>8,160,139</u>	<u>732,135</u>	<u>8,892,274</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Increase in home insulation program receivables	(2,673)	-	(2,673)
Increase in home insulation program liabilities	6,520	-	6,520
Transfers, in lieu of taxes	<u>(1,142,256)</u>	<u>-</u>	<u>(1,142,256)</u>
Net cash flows from noncapital financing activities	<u>(1,138,409)</u>	<u>-</u>	<u>(1,138,409)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(5,243,000)	(409,902)	(5,652,902)
Grants from federal and state sources	-	2,537	2,537
Proceeds from sale of capital assets	57,152	10,014	67,166
Excess removal cost of plant	(133,761)	-	(133,761)
Net revenues from merchandising and jobbing	<u>(50,680)</u>	<u>-</u>	<u>(50,680)</u>
Net cash flows from capital and related financing activities	<u>(5,370,289)</u>	<u>(397,351)</u>	<u>(5,767,640)</u>
<b>Cash Flows From Investing Activities</b>			
Purchase of certificates of deposit	(4,474,000)	-	(4,474,000)
Maturities of certificates of deposit	2,073,000	-	2,073,000
(Increase) decrease in investments	300,000	(36)	299,964
Interest on investments	<u>150,577</u>	<u>43,812</u>	<u>194,389</u>
Net cash flows from investing activities	<u>(1,950,423)</u>	<u>43,776</u>	<u>(1,906,647)</u>
Net change in cash and cash equivalents	(298,982)	378,560	79,578
Cash and cash equivalents at the beginning of the year	<u>17,267,611</u>	<u>7,215,390</u>	<u>24,483,001</u>
Cash and cash equivalents at the end of the year	<u>\$ 16,968,629</u>	<u>\$ 7,593,950</u>	<u>\$ 24,562,579</u>

(Continued)

TOWN OF GREENEVILLE, TENNESSEE  
Statement of Cash Flows (Continued)  
Proprietary Funds  
Year Ended June 30, 2012

	Light & Power System	Water and Light Commission	Total Proprietary Funds
Cash Flows From Operating Activities			
Operating income (loss)	\$ 3,144,565	\$ (512,178)	\$ 2,632,387
Adjustments to reconcile operating income to net cash provided by operating activities income			
Depreciation	3,729,135	1,443,251	5,172,386
Provision for bad debt	96,166	2,680	98,846
Changes in operating assets and liabilities			
(Increase) decrease in:			
Accounts receivable	128,325	64,577	192,902
Unbilled revenue	(145,355)	-	(145,355)
Materials and supplies	(100,220)	(27,231)	(127,451)
Prepaid expenses	(21,646)	(7,279)	(28,925)
Increase (decrease) in:			
Accounts payable	(111,617)	(259,001)	(370,618)
Due to TVA for power and accrued liabilities	(163,588)	-	(163,588)
Other payables and accrued expenses	1,478,197	21,010	1,499,207
Customer deposits	126,177	6,306	132,483
Net cash flows from operating activities	\$ 8,160,139	\$ 732,135	\$ 8,892,274

TOWN OF GREENEVILLE, TENNESSEE  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended June 30, 2012

	GAAP Budgeted Amounts		GAAP Actual	Variance with
	Original	Final		Final Budget
Budgetary Fund Balance, July 1, restated	\$ 8,837,031	\$ 8,837,031	\$ 8,837,031	\$ -
<b>Revenues</b>				
Local taxes	17,179,564	17,594,564	17,632,043	37,479
Intergovernmental revenues	1,474,286	1,714,286	1,776,241	61,955
Charges for services	1,151,000	1,575,000	1,500,155	(74,845)
Licenses and permits	80,500	59,500	69,484	9,984
Use of property	4,800	4,800	9,600	4,800
Fines, fees, and costs	136,500	126,500	132,701	6,201
Interest income	50,000	50,000	72,175	22,175
Total revenues	<u>28,913,681</u>	<u>29,961,681</u>	<u>30,029,430</u>	<u>67,749</u>
<b>Expenditures</b>				
<b>General government</b>				
Mayor and Alderman	17,195	17,195	17,447	(252)
Municipal court	5,000	5,000	5,000	-
Election commission	15,500	15,500	14,473	1,027
Administrator	-	51,000	49,563	1,437
Recorder's office	173,785	90,785	85,425	5,360
City attorney	33,600	33,600	37,641	(4,041)
Accounting	288,219	267,219	267,194	25
Human resources	-	53,000	51,755	1,245
Professional accounting service	48,248	48,248	46,250	1,998
Planning commission	13,250	13,250	13,400	(150)
First Tennessee Development District	3,823	3,823	3,823	-
Civil service board	4,000	4,000	9,286	(5,286)
Total general government	<u>602,620</u>	<u>602,620</u>	<u>601,257</u>	<u>1,363</u>
<b>Public safety</b>				
Police department	2,727,329	2,697,329	2,702,013	(4,684)
Radio equipment	7,000	-	-	-
Fire department	2,184,301	2,159,301	2,199,755	(40,454)
Building inspector	141,182	116,182	115,237	945
Emergency services	40,000	40,000	40,000	-
Civil defense	64,154	56,154	55,985	169
Total public safety	<u>5,163,966</u>	<u>5,068,966</u>	<u>5,112,990</u>	<u>(44,024)</u>
<b>Public works</b>				
Street clean	362,292	346,792	354,748	(7,956)
Street repair	446,440	481,440	487,230	(5,790)
Street signs	125,391	102,391	121,790	(19,399)
Street lighting	370,000	345,500	374,101	(28,601)
Garage	302,877	252,877	276,767	(23,890)
Town hall maintenance	76,961	71,961	78,073	(6,112)
Total public works	<u>1,683,961</u>	<u>1,600,961</u>	<u>1,692,709</u>	<u>(91,748)</u>
Total expenditures this page	<u>\$ 7,450,547</u>	<u>\$ 7,272,547</u>	<u>\$ 7,406,956</u>	<u>\$ (134,409)</u>

(Continued)

TOWN OF GREENEVILLE, TENNESSEE  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)  
General Fund  
Year Ended June 30, 2012

	<u>GAAP Budgeted Amounts</u>		<u>GAAP Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Expenditures continued				
Health and welfare				
Mental health	\$ 48,000	\$ 48,000	\$ 44,850	\$ 3,150
Neighborhood	14,750	14,750	14,421	329
Other	2,000	500	495	5
Roby Center	342,468	311,368	335,789	(24,421)
Recreation	272,986	251,986	273,737	(21,751)
Pools	82,550	67,550	81,145	(13,595)
Health	92,000	101,600	96,704	4,896
Appropriations	104,500	104,500	104,500	-
Athletics	531,465	500,465	523,663	(23,198)
Total health and welfare	<u>1,490,719</u>	<u>1,400,719</u>	<u>1,475,304</u>	<u>(74,585)</u>
Public enterprise				
Appropriations	<u>30,380</u>	<u>30,380</u>	<u>30,380</u>	<u>-</u>
Capital outlay	<u>397,462</u>	<u>837,462</u>	<u>867,595</u>	<u>(30,133)</u>
Other expenditures				
Administration	<u>3,613,123</u>	<u>3,533,123</u>	<u>3,446,629</u>	<u>86,494</u>
Debt Service				
Principal	451,000	451,000	451,000	-
Interest	903,025	903,025	903,025	-
Fees	<u>3,000</u>	<u>3,000</u>	<u>3,890</u>	<u>(890)</u>
Total debt service	<u>1,357,025</u>	<u>1,357,025</u>	<u>1,357,915</u>	<u>(890)</u>
Total expenditures	<u>14,339,256</u>	<u>14,431,256</u>	<u>14,584,779</u>	<u>(153,523)</u>
Excess of revenues over expenditures	<u>14,574,425</u>	<u>15,530,425</u>	<u>15,444,651</u>	<u>(85,774)</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(5,863,007)</u>	<u>(5,863,007)</u>	<u>(5,863,007)</u>	<u>-</u>
Total other financing sources (uses)	<u>(5,863,007)</u>	<u>(5,863,007)</u>	<u>(5,863,007)</u>	<u>-</u>
Fund balance, June 30, 2012	<u>\$ 8,711,418</u>	<u>\$ 9,667,418</u>	<u>\$ 9,581,644</u>	<u>\$ (85,774)</u>

TOWN OF GREENEVILLE, TENNESSEE  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
General Purpose School Fund  
Year Ended June 30, 2012

	<u>GAAP Budgeted Amounts</u>		<u>GAAP Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 3,567,758	\$ 3,567,758	\$ 3,567,758	\$ -
Resources				
State of Tennessee	11,591,169	11,656,258	11,570,771	(85,487)
Federal funds through state	399,468	378,868	441,947	63,079
Direct federal funds	92,248	127,521	102,813	(24,708)
Local taxes	4,290,830	4,422,330	4,518,668	96,338
Charges for current services	736,125	736,125	728,484	(7,641)
Investment income	15,000	15,000	4,667	(10,333)
Other local revenue	<u>223,000</u>	<u>239,950</u>	<u>412,508</u>	<u>172,558</u>
Amounts available for appropriation	<u>20,915,598</u>	<u>21,143,810</u>	<u>21,347,616</u>	<u>203,806</u>
Expenditures				
Instruction				
Salaries	10,688,353	10,657,976	10,579,575	78,401
Employee benefits	3,443,333	3,452,753	3,500,109	(47,356)
Contracted services	319,162	408,317	491,798	(83,481)
Fee waivers	25,000	25,000	25,000	-
Equipment	49,362	58,162	82,095	(23,933)
Materials and supplies	316,172	324,938	249,204	75,734
Textbooks	252,250	252,250	245,738	6,512
Staff development	134,500	108,500	105,109	3,391
Travel	28,495	28,495	43,379	(14,884)
Other	<u>21,482</u>	<u>21,482</u>	<u>43,307</u>	<u>(21,825)</u>
Total instruction	<u>15,278,109</u>	<u>15,337,873</u>	<u>15,365,314</u>	<u>(27,441)</u>
Technology				
Equipment	114,200	171,705	123,847	47,858
Staff development	2,500	2,500	7,285	(4,785)
Maintenance and repairs	31,700	31,400	21,314	10,086
Other	<u>144,200</u>	<u>137,595</u>	<u>174,872</u>	<u>(37,277)</u>
Total technology	<u>292,600</u>	<u>343,200</u>	<u>327,318</u>	<u>15,882</u>
Greene Technology Center	<u>80,923</u>	<u>80,923</u>	<u>80,400</u>	<u>523</u>
Student support services				
Salaries	614,444	598,631	614,665	(16,034)
Employee benefits	177,281	170,741	170,695	46
Evaluation and testing	<u>40,672</u>	<u>35,000</u>	<u>31,405</u>	<u>3,595</u>
Total student support services	<u>832,397</u>	<u>804,372</u>	<u>816,765</u>	<u>(12,393)</u>
Total expenditures this page	<u>\$ 16,484,029</u>	<u>\$ 16,566,368</u>	<u>\$ 16,589,797</u>	<u>\$ (23,429)</u>

TOWN OF GREENEVILLE, TENNESSEE  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)  
General Purpose School Fund  
Year Ended June 30, 2012

	<u>GAAP Budgeted Amounts</u>		<u>GAAP Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures continued				
Board of education				
Employee benefits	\$ 13,594	\$ 13,594	\$ 9,724	\$ 3,870
Insurance	184,589	151,939	130,546	21,393
Audit and legal services	44,744	44,744	35,674	9,070
Contracted services	22,000	22,000	26,696	(4,696)
Trustee commissions	70,123	70,123	66,083	4,040
Travel	15,000	15,000	13,577	1,423
Dues and memberships	19,000	19,000	13,558	5,442
Other	13,000	28,000	27,913	87
Total board of education	<u>382,050</u>	<u>364,400</u>	<u>323,771</u>	<u>40,629</u>
Administration				
Salaries	1,393,282	1,393,282	1,429,893	(36,611)
Employee benefits	422,496	422,496	367,795	54,701
Contracted services	51,094	51,094	56,140	(5,046)
Equipment	5,500	5,500	4,721	779
Materials and supplies	15,730	15,730	11,138	4,592
Communications	63,000	63,000	63,479	(479)
Travel	14,500	14,500	13,387	1,113
Dues and memberships	7,895	7,895	6,348	1,547
Other	33,250	33,250	32,031	1,219
Total administration	<u>2,006,747</u>	<u>2,006,747</u>	<u>1,984,932</u>	<u>21,815</u>
Transportation				
Salaries	191,305	191,305	177,878	13,427
Employee benefits	99,025	99,025	92,445	6,580
Contracted services	93,846	93,846	89,382	4,464
Materials and supplies	153,390	153,390	149,904	3,486
Maintenance and repairs	34,000	37,000	19,082	17,918
Other	9,600	9,600	6,546	3,054
Total transportation	<u>581,166</u>	<u>584,166</u>	<u>535,237</u>	<u>48,929</u>
Health				
Salaries	94,455	94,455	94,984	(529)
Employee benefits	35,632	35,632	35,599	33
Contracted services	13,380	13,380	10,349	3,031
Materials and supplies	6,600	10,100	9,556	544
Travel	1,500	1,500	3,148	(1,648)
Other	-	-	865	(865)
Total health	<u>151,567</u>	<u>155,067</u>	<u>154,501</u>	<u>566</u>
Total expenditures this page	<u>\$ 3,121,530</u>	<u>\$ 3,110,380</u>	<u>\$ 2,998,441</u>	<u>\$ 111,939</u>

TOWN OF GREENEVILLE, TENNESSEE  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)  
General Purpose School Fund  
Year Ended June 30, 2012

	<u>GAAP Budgeted Amounts</u>		<u>GAAP Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures continued				
Maintenance and operations				
Salaries	\$ 780,204	\$ 780,204	\$ 703,198	\$ 77,006
Employee benefits	351,884	351,884	351,537	347
Insurance	93,535	93,535	83,020	10,515
Contracted services	70,500	95,000	176,299	(81,299)
Equipment	7,500	7,500	4,553	2,947
Utilities	888,316	833,816	680,174	153,642
Materials and supplies	79,200	79,200	137,956	(58,756)
Maintenance and repairs	184,000	214,750	248,565	(33,815)
Communications	4,000	4,000	3,231	769
Building Improvements	479,929	654,929	650,442	4,487
Other	8,500	8,500	24,412	(15,912)
Total maintenance and operations	<u>2,947,568</u>	<u>3,123,318</u>	<u>3,063,387</u>	<u>59,931</u>
Debt service	<u>522,882</u>	<u>533,882</u>	<u>534,173</u>	<u>(291)</u>
Total expenditures	<u>23,076,009</u>	<u>23,333,948</u>	<u>23,185,798</u>	<u>148,150</u>
Excess of resources over expenditures	<u>(2,160,411)</u>	<u>(2,190,138)</u>	<u>(1,838,182)</u>	<u>351,956</u>
Other Financing Sources				
Operating transfers	\$ -	\$ -	\$ 55,879	\$ 55,879
Town of Greeneville	<u>5,442,395</u>	<u>5,442,395</u>	<u>5,442,395</u>	<u>-</u>
Total other financing sources	<u>5,442,395</u>	<u>5,442,395</u>	<u>5,498,274</u>	<u>55,879</u>
Fund balance, June 30, 2012	<u>\$ 3,281,984</u>	<u>\$ 3,252,257</u>	<u>\$ 3,660,092</u>	<u>\$ 407,835</u>

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements  
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**The Reporting Entity** - The Town was incorporated in 1903 under the provisions of the State of Tennessee and operates under a Mayor and Board of Aldermen form of government. It has the usual corporate powers of municipalities including taxation, entering into contracts, and issuing bonds. The following services are authorized by the Charter: Public Safety (Police and Fire), Public Works, Public Welfare, Public Utilities, Education, Planning and Zoning, and general administrative duties.

The Town, for financial statement purposes, includes all of the funds and account groups relevant to the operations of the Town. The financial statements presented herein do not include agencies that have been formed under applicable state laws as separate and distinct units of government apart from the Town.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Town and its special revenue, capital projects, and enterprise fund types. The Town of Greeneville, Tennessee, Board of Education (the "GBOE"), Greeneville Water and Light Commission (the "GWC"), and Greeneville Light & Power System (the "GLPS") are included in the Town's reporting entity because of the significance of their operational or financial relationships with the Town. For more detailed information concerning The Town of Greeneville, Tennessee, Board of Education, Greeneville Water and Light Commission, and Greeneville Light & Power System financial results please see their separately issued financial statements.

The GBOE - Members of the Board of Education, which are elected officials, approve its budgets and provide funding for the operation of the schools. The operations of the school system are reported in General Purpose School, Federal Projects, School Nutrition, and Extended School Program Funds, which are special revenue funds, and in the Capital Projects Fund.

GLPS and GWC - The Mayor and Board of Aldermen appoint the board members of the GLPS. The commissioners of the GWC are elected officials. Neither of these entities can issue bonded debt without the approval of the Mayor and Board of Aldermen. Operations of the electrical system are reported in the GLPS, and operations of the water and wastewater systems are reported in the GWC, both of which are enterprise funds.

Financial statements for each of the above are available at Town Hall upon request.

**Joint Ventures** - The Town participates in several joint ventures as follows:

- 1) *Kinser Park Commission* - The Town, along with Greene County, Tennessee (the "County"), operates Kinser Memorial Park, a park and recreational facility. The Park is maintained and operated by the Kinser Park Commission, which was created in 1962 by resolution of the Quarterly County Court of Greene County, Tennessee. Financial responsibility for the Park is maintained by the Town and Greene County. For the year ended June 30, 2012, the Town and County appropriated \$20,000 and \$29,400, respectively, to supplement the Park's operating revenues. At June 30, 2012, the Park's net assets were \$182,312.
- 2) *Greeneville - Greene County Airport Authority* - The Greeneville - Greene County Airport Authority is a non-profit corporation operated jointly by the Town and County. The Airport Authority was chartered in 1980. Financial responsibility for the Airport is maintained by the Town and County. For the year ended June 30, 2012, the Town and County each appropriated \$30,380 to supplement the Airport's operating revenues. At June 30, 2012 the Airport's fund balance was \$(278,196).

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

**Joint Ventures - (Continued)**

- 3) *Greeneville - Greene County Landfill* - The Greeneville - Greene County Landfill is operated jointly by the Town and County and provides services related to solid waste management. The Town has an ongoing financial responsibility for the Landfill since the Landfill is dependent upon ongoing funding from the Town and County. For the year ended June 30, 2012, the Town and County did not appropriate funds to the Landfill. At June 30, 2012, the Landfill's net assets were \$4,056,658.
- 4) *Greeneville - Greene County Library* - The Town participates with the County in a joint venture known as the Greeneville-Greene County Library. The Town has a continuing financial responsibility for the Library since the Library is dependent upon ongoing funding from the Town and County. For the year ended June 30, 2012, the Town and County each appropriated \$84,500 to supplement the Library's operating revenues. At June 30, 2012, the Library's net assets were \$764,515.
- 5) *Greene Technology Center* - The GBOE and the Greene County Board of Education participate in a joint venture known as the Greene Technology Center (the "GTC"). The GBOE has an ongoing financial responsibility for the GTC as it is dependent upon ongoing funding by the Town and County Boards of Education.

Complete sets of financial statements are issued separately for each of the Town's joint ventures and are available at Town Hall upon request.

**Financial Statements -**

**Basic Financial Statements - Government-Wide Statements** - The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's public safety, public works, health and welfare, recreation, sanitation, and general administrative services are classified as governmental activities. The Town's electric, water, and sewer services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted net assets are used first.

The government-wide Statement of Activities reports both the gross and net costs of each of the Town's functions (public safety, public works, etc.) and business-type activities. The functions are also supported by general government revenues (property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating grants. Program revenues must be directly associated with the function (public safety, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, sales and use taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

**Financial Statements (Continued) -**

**Basic Financial Statements - Fund Financial Statements** - The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

**Governmental Funds**

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

**General Fund** - The General Fund is the general operating fund of the Town. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

**Special Revenue Funds** - Special Revenue Funds are used to account for all proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

**Capital Projects Fund** - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the Board of Education.

**Proprietary Funds** - The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are similar to those of businesses in the private sector. The following is a description of the proprietary funds of the Town:

**Enterprise Funds** - GLPS and GWC are enterprise funds. An enterprise fund is a proprietary type fund used to account for operations 1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The GWC and GLPS apply FASB standards issued on or before November 30, 1989, that do not conflict with or contradict GASB standards. The GWC and GLPS have opted not to apply FASB standards issued after November 30, 1989.

**Basis of Accounting** - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**Accrual** - Both governmental and business-type activities in the government-wide financial statements and the proprietary funds financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred except that unbilled revenues representing water and wastewater services used from the latest billing cycle date to the end of the month are consistently not recognized until billed in the following month.

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

**Basis of Accounting** (Continued) -

**Modified Accrual** - The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid sick pay which is not accrued; and (2) principal and interest on general obligation long-term debt which is recognized when due.

**Budgets and Budgetary Accounting** - The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. These budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- (2) The statements of revenues and expenditures - budget and actual for the General Fund and General Purpose School Fund present comparisons of legally adopted budgets with actual data on a budgetary basis.
- (3) The Board of Mayor and Aldermen approve, by ordinance, total budget appropriations by department only for the Town. The City Recorder is authorized to transfer budget amounts within departments of any fund; however, any revisions that alter the total appropriations of any department must be approved by the Board of Mayor and Aldermen. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis within departments.
- (4) The Board of Education submits a proposed fiscal year operating budget to the Board of Mayor and Aldermen. The Board of Mayor and Aldermen does not have the authority to make line item adjustments to the budget; they control only the Town appropriation. The operating budget includes proposed revenues and expenditures.

Public hearings are conducted to obtain citizen comments on the proposed budget. Upon second reading by the Board of Mayor and Aldermen, the budget is legally adopted. A copy of the budget must be filed with the Commissioner of Education.

The Board of Education has the authority to make revisions to the budget as deemed necessary. The amended budget is approved by the Board of Education and reflected in the official minutes of the Board. The amended budget is reflected in these financial statements. Actual expenditures may not legally exceed budget appropriations at the individual fund level. Actual expenditures exceeded budget appropriations in the Federal Projects Fund, School Nutrition Fund, and Municipal Solid Waste Fund.

- (5) Unused appropriations for annually budgeted funds lapse at the end of the year.

**Accumulated Compensated Absences** - It is the Town's policy to permit employees to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon separation from the Town's service. Sick leave can be accumulated indefinitely, but can only be used as service time for retirement if not used for sickness. In governmental funds, the cost of accumulated vacation expected to be paid in the next 12 months is recorded as a fund liability. Only one year's vacation can be accumulated. The cost of sick leave is recognized when payments are made to employees.

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

**Accumulated Compensated Absences (Continued)** - The enterprise funds recognize the cost of vacation and sick leave pay, up to the maximum allowable accumulation, as earned. The GWC's policies provide that in the event of termination or retirement, an employee is reimbursed for accumulated vacation days up to the equivalent of 30 days and for one-third of his/her accumulated sick leave benefits up to a maximum accumulation of 130 days. The policies of GLPS provide that upon termination or retirement, an employee is reimbursed for all accumulated vacation days and for one-third of his/her accumulated sick leave benefits. Employees can apply the remaining two-thirds of unused sick leave toward service time for retirement purposes.

**Revenue Recognition** - The Town's revenue recognition policy is as follows:

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

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

- (2) The Water Commission and Light & Power System distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenue as billed to its customers is based on a monthly meter reading cycle.

**Encumbrance Accounting** is used for the General Purpose School, Federal Projects, School Nutrition, and Extended School Program Funds. Encumbrances are recorded when purchase orders are issued, but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance in the governmental fund financial statements. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

**Accounting Policies** - The Light & Power System follows accounting policies for public electric utilities as prescribed by the Federal Energy Regulatory Commission and the Tennessee Valley Authority ("TVA").

**Cash and Cash Equivalents** - The Town considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

**Inventories** - The Water and Light Commission's materials and supplies inventory are valued at the lower of average cost or market. Materials and supplies of the Light & Power System are recorded at average cost. Food and supplies inventories for School Nutrition are carried at cost and are subsequently charged to expenditures when consumed.

**Commodities - School Nutrition Fund** - Commodities received from the U.S.D.A. are recognized as revenue in the period when all eligibility requirements are met (usually, when the commodities are received).

**Self-Insurance Trust Fund** - The Town is self-insured for the purpose of paying medical claims of the Town of Greeneville's General Fund employees and their covered dependents as well as post employment health care benefits, thus minimizing the total cost of annual medical insurance to the Town. Medical claims exceeding \$70,000 per incident are covered through a private insurance carrier. The self-insurance transactions are recorded in the Town's General Fund and not accounted for in a separate fund, with the fund balance reserved for self-insurance at an amount equal to the cash and receivables in funds previously designated as self-insurance funds.

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

**Allowance for Uncollectible Accounts** - At June 30, 2012, the allowance for uncollectible taxes in the General Fund was \$89,743, the allowance for uncollectible accounts receivable in the enterprise funds was \$176,600, and the allowance for uncollectible accounts in the Special Revenue Fund, Extended School Program Fund, was \$1,089.

**Investments** - The Town's investments are reported at market value. Investments of the Light & Power System and the Water and Light Commission are reported at market value.

**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.

**Capital Assets** - Capital assets are carried at cost. Depreciation is computed using the straight-line method based on estimated useful lives.

**Internal Activity** - Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**Long-term Obligations** - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of applicable bond premiums or discounts. Bond issue costs are reported as deferred charges and amortized over the term of the related debt.

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

**Fund Balance Items** - The Town has implemented GASB Statement 54 employing new terminology and classifications for fund balance items.

*Nonspendable* items - This category includes funds that can not be spent due to their form (e.g., inventories and prepaids) or funds that legally or contractually must be maintained intact.

*Restricted* items - This category includes funds that are mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation.

*Committed* items - This category includes funds that are set aside for a specific purpose by the Town's highest level of decision making authority (e.g., the Town of Greeneville's Board of Mayor and Aldermen passing an Ordinance). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on funds.

*Assigned* items - This category includes funds that are set aside with the intent to be used for a specific purpose by the Town's highest level of decision making authority or a body or official that has been given authority to assign funds (e.g., the Town's Board of Mayor and Aldermen passing a Resolution). Assigned funds cannot cause a deficit in unassigned fund balance.

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

**Fund Balance Items - (continued)**

*Unassigned* items - This category includes excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides all resources necessary to meet unexpected expenditures and revenue shortfalls.

When both restricted and unrestricted fund balances are available for use, it is the Town's policy to use restricted fund balance first, then use unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

**Date of Management's Review** - Management has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2012 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through March 29, 2013, the date these financial statements were available to be issued.

NOTE 2 - CASH AND INVESTMENTS

State of Tennessee law authorizes the Town to invest in obligations of the United States or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the state treasurer's local government investment pool. The pool contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of the deposits, less the amount as insured by federal deposit insurance. The collateral must be held by the Town or its agent in the Town's name, or by the Federal Reserve in the Town's name.

The Town does not have a policy for interest rate risk or other credit risk other than pledging of securities for amounts in excess of FDIC coverage. The Town is exposed to concentration of credit risk by placing its deposits in financial institutions. The Town has mitigated the risks because the bank balance in excess of the FDIC limit is collateralized by the State of Tennessee bank collateral pool.

**Cash -**

Town of Greeneville - At June 30, 2012, the Town's bank balances were \$3,865,928 all of which was covered by federal depository insurance.

Board of Education - The GBOE's cash accounts represent funds on deposit in a local financial institution. Bank balances at June 30, 2012 totaled \$5,017,601 all of which \$250,000 was covered by federal depository insurance and \$4,767,601 was covered through bank participation in the State of Tennessee Bank Collateral Pool.

Water and Light Commission - At June 30, 2012, the bank balances were \$7,742,395, of which \$499,287 was covered by federal depository insurance and \$7,243,108 was covered through bank participation in the State of Tennessee Bank Collateral Pool.

Light & Power System - At June 30, 2012, the bank balances were \$21,104,137, of which \$4,724,000 was covered by federal depository insurance and \$16,380,137 was covered through bank participation in the State of Tennessee Bank Collateral Pool.

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 2 - CASH AND INVESTMENTS - (Continued)

A summary of the carrying amount of the Town's deposits follows:

	Unrestricted	Restricted or Designated	Total
Cash and cash equivalents	\$ 32,486,639	\$ 251,821	\$32,738,460
Certificates of deposit	6,713,198	2,168,178	8,881,376
	\$ 39,199,837	\$ 2,419,999	\$41,619,836

**Investments -**

Town of Greeneville - The Town invests funds with an investment advisor. The total investment with the investment firm is recorded at fair value and is \$159,827 at June 30, 2012 and is listed as Self-Insurance Investment on the Statement of Net Assets.

Water and Light Commission - The GWC invests funds in the State of Tennessee's Local Government Investment Pool. The Commission's interest in the Investment Pool is recorded at fair market value. At June 30, 2012, the investment balance in the Investment Pool was \$82,988.

Light & Power System - In January 2003, the System invested \$3,000,000 with TVA in the form of Deferred Electrical Units. This investment will be repaid over 10 years with interest as a credit to the System's monthly power invoice. The System accrues interest at 5.5% that is offset as a power invoice credit each month. The balance of accrued interest at June 30, 2012 was \$42,623. The balance of the amount invested with TVA was \$150,000 at June 30, 2012.

Total investments for all of the Town's funds are as follows:

	Carrying Amount	Market Value
<b>Unrestricted</b>		
Local Government Investment Pool	\$ 82,988	\$ 82,988
TVA Deferred Electrical Units	150,000	150,000
Total Unrestricted	232,988	232,988
<b>Restricted</b>		
Corporate Bonds	142,665	142,665
U.S. Asset and Mortgage Backed Securities	17,162	17,162
Total Restricted	159,827	159,827
Total Investments	\$ 392,815	\$ 392,815

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 2 - CASH AND INVESTMENTS - (Continued)

**Investments - (Continued)**

The Town's restricted investment maturities by type are as follows:

Investment type	Fair Value	Investment Maturities (in Years)		
		Less than 5	6-10	More than 10
Corporate Bonds	\$ 142,665	\$ -	\$ 48,349	\$ 94,316
U.S. Asset and Mortgage Backed Securities	17,162	-	-	17,162
<b>Total Restricted Investment</b>	<b>\$ 159,827</b>	<b>\$ -</b>	<b>\$ 48,349</b>	<b>\$ 111,478</b>

The corporate bonds are callable at various dates during the years 2012 and 2013.

During the year ended June 30, 2012, the total unrealized loss was \$3,946.

The Town's investments had the following credit risk structure as of June 30, 2012:

Investment type	Credit Rating	Fair Value	Percent of Total
Corporate Bonds			
Prudential Financial Inc.	A/Baa2	\$ 25,029	15%
General Motors Acceptance Corp	B+/B1/BB-	9,285	6%
General Motors Acceptance Corp	B1/BB-	14,035	9%
General Electric Capital Corp	AA+/A1	25,074	16%
GTE North Inc	BB/BBB-	19,240	12%
JPMorgan Chase and Co	A-/A3/A	50,002	31%
		<u>142,665</u>	
U.S. Asset and Mortgage Backed Securities			
Federal Natl Mtg Assn Remic		17,162	11%
<b>Total Restricted Investment</b>		<b>\$ 159,827</b>	

NOTE 3 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 4,324,852	\$ -	\$ -	\$ 4,324,852
Construction in progress	499,573	1,120,265	1,471,477	148,361
<b>Total assets not being depreciated</b>	<b>4,824,425</b>	<b>1,120,265</b>	<b>1,471,477</b>	<b>4,473,213</b>

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 3 - CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Buildings and improvements	63,351,150	239,760	-	63,590,910
Infrastructure	46,324,604	1,323,199	-	47,647,803
Equipment and vehicles	14,004,569	975,045	308,500	14,671,114
Total capital assets being depreciated	123,680,323	2,538,004	308,500	125,909,827
Less accumulated depreciation for				
Buildings and improvements	(28,860,552)	(1,609,134)	-	(30,469,686)
Infrastructure	(41,432,572)	(192,153)	-	(41,624,725)
Equipment and vehicles	(11,944,041)	(788,960)	(251,436)	(12,481,565)
Total accumulated depreciation	(82,237,165)	(2,590,247)	(251,436)	(84,575,976)
Total capital assets being depreciated, net	41,443,158	(52,243)	57,064	41,333,851
Governmental activities capital assets, net	\$ 46,267,583	\$ 1,068,022	\$ 1,528,541	\$ 45,807,064
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land and land rights	\$ 2,029,056	\$ 221,533	\$ -	\$ 2,250,589
Construction in progress	562,684	833,124	(250,546)	1,145,262
Total assets not being depreciated	2,591,740	1,054,657	(250,546)	3,395,851
Capital assets being depreciated				
Structures and permanent improvements	34,499,322	75,798	(6,691)	34,568,429
Equipment, furnishings, and distribution systems	128,493,558	4,776,363	(1,595,366)	131,674,555
Total capital assets being depreciated	162,992,880	4,852,161	(1,602,057)	166,242,984
Less accumulated depreciation for capital assets being depreciated	(73,066,798)	(5,172,386)	1,715,226	(76,523,958)
Total accumulated depreciation	(73,066,798)	(5,172,386)	1,715,226	(76,523,958)
Total capital assets being depreciated, net	89,926,082	(320,225)	113,169	89,719,026
Business-type activities capital assets, net	\$ 92,517,822	\$ 734,432	\$ (137,377)	\$ 93,114,877

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 3 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to function/program as follows:

Governmental activities	
Education	\$ 1,583,022
General government	473,485
Public safety	193,357
Public works	154,936
Health and welfare	111,441
Community development	<u>74,006</u>
Total governmental activities depreciation expense	<u>\$ 2,590,247</u>
Business-type activities	
Light & Power System	\$ 3,729,135
Water & Light Commission	<u>1,443,251</u>
Total business-type activities depreciation expense	<u>\$ 5,172,386</u>

NOTE 4 - LONG-TERM DEBT

The Town's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

**Governmental Activities**

Long-term debt at June 30, 2012, consisted of the following:

Accrued compensated absences	\$ 557,699
Accrued retirement incentive	198,926
Other post employment benefits	424,929
Capital leases payable	60,975
\$1,620,000 General Obligation Bonds, Series 2002, (Refunding Bonds) due in annual installments of \$65,000 to \$95,000 through December 1, 2014; interest ranges from 4.22% to 4.60%, payable semi-annually.	270,000
\$1,310,000 General Obligation Bonds, Series A, (Airport Improvement Project) due in annual installments of \$85,000 to \$90,000 through September 1, 2023; interest ranges from 2.50% to 5.1%, payable semi-annually.	845,000
Unamortized premium on notes payable related to G.O. Refunding Bonds, series 2009.	177,172
Unamortized premium on notes payable related to G.O. Refunding Bonds, Series 2010.	437,974

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 4 - LONG-TERM DEBT

**Governmental Activities (continued)**

\$11,475,000 bond issue (G.O. Refunding Bonds, Series 2009). Proceeds to the Town were to pay off bonds issued for school renovation. Interest is due semi-annually. The bond matures on June 1, 2025; interest rate was 3.9% at June 30, 2012.	11,220,000
\$11,120,000 bond issue (G.O. Refunding Bonds, Series 2010A). Proceeds to the Town were used to pay off G.O. Refunding Bonds, Series E-10-A 2009. Interest is due semi-annually. The bond matures on June 30, 2029; interest rate was 2.0% at June 30, 2012.	11,120,000
\$1,430,000 bond issue (G.O. Refunding Bonds, Series 2010B). Proceeds to the Town were used to pay the termination payments due on G.O. Refunding Bonds, Series E-10-A 2009. Interest is due semi-annually. The bond matures on June 30, 2016; interest rate was 2.0% at June 30, 2012.	<u>1,200,000</u>
	26,512,675
Less amounts due within one year	<u>(545,390)</u>
	<u>\$ 25,967,285</u>

**Business-Type Activities**

Business-type activities' long-term debt at June 30, 2012 consisted of the following:

Accrued compensated absences	\$ 715,935
Amounts due for easements purchased	38,375
Other post employment benefits	4,094,681
Advances under the Tennessee Valley Authority home insulation program providing for interest-free or low-interest loans to customers; repayable to a financial institution from customer repayments to the Light & Power System.	<u>2,009,225</u>
	<u>\$ 6,858,216</u>

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 4 - LONG-TERM DEBT - (Continued)

The following is a schedule of changes in long-term debt for the year ended June 30, 2012.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds and notes payable					
General obligation bonds	\$ 350,000	\$ -	\$ (80,000)	\$ 270,000	\$ 85,000
General obligation bonds - Airport	900,000	-	(55,000)	845,000	55,000
Premium on notes payable	647,252	-	(32,106)	615,146	-
Capital outlay note	23,830,000	-	(290,000)	23,540,000	365,000
Capital outlay note - Airport	26,000	-	(26,000)	-	-
Total bonds and notes payable	<u>25,753,252</u>	<u>-</u>	<u>(483,106)</u>	<u>25,270,146</u>	<u>505,000</u>
Other liabilities					
Capital leases	94,258	28,824	(62,107)	60,975	40,390
Other post employment benefits	424,929	-	-	424,929	-
Compensated absences	522,808	43,253	(8,362)	557,699	-
Retirement incentive	167,424	112,011	(80,509)	198,926	-
Total other liabilities	<u>1,209,419</u>	<u>184,088</u>	<u>(150,978)</u>	<u>1,242,529</u>	<u>40,390</u>
Governmental activities l-t liabilities	<u>\$ 26,962,671</u>	<u>\$ 184,088</u>	<u>\$ (634,084)</u>	<u>\$ 26,512,675</u>	<u>\$ 545,390</u>
<b>Business-type Activities</b>					
TVA home insulation program	\$ 2,002,705	\$ 6,520	\$ -	\$ 2,009,225	\$ -
Other post employment benefits	3,172,296	922,385	-	4,094,681	-
Compensated absences	679,593	36,342	-	715,935	-
Due for easements	38,375	-	-	38,375	-
Business-type activities l-t liabilities	<u>\$ 5,892,969</u>	<u>\$ 965,247</u>	<u>\$ -</u>	<u>\$ 6,858,216</u>	<u>\$ -</u>

Payments on the bonds and notes payable are made by the general fund. The compensated absences liability is attributable to, and will be paid from the general fund and the general purpose school fund. The capital leases and retirement incentive will be paid by the general purpose school fund.

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 4 - LONG-TERM DEBT - (Continued)

Governmental activities future maturities of long-term debt at June 30, 2012 are as follows:

Year Ended June 30	General Obligation Bonds		Capital Outlay Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	140,000	49,236	365,000	839,975	505,000	889,211
2014	145,000	42,929	400,000	832,100	545,000	875,029
2015	155,000	36,206	440,000	823,200	595,000	859,406
2016	60,000	31,388	1,235,000	813,200	1,295,000	844,588
2017	65,000	28,606	1,230,000	786,550	1,295,000	815,156
2018-2022	375,000	92,375	7,760,000	3,260,926	8,135,000	3,353,301
2023-2027	175,000	9,053	8,710,000	1,693,649	8,885,000	1,702,702
2028-2029	-	-	3,400,000	204,000	3,400,000	204,000
Total	<u>\$ 1,115,000</u>	<u>\$ 289,793</u>	<u>\$23,540,000</u>	<u>\$ 9,253,600</u>	<u>\$ 24,655,000</u>	<u>\$ 9,543,393</u>

The Board of Education entered into lease agreements for equipment. The future minimum lease obligations as of June 30, 2012 are as follows:

Year Ended June 30	Capital Leases	
	Principal	Interest
2013	40,390	1,249
2014	6,036	2,698
2015	6,827	1,907
2016	7,722	1,012
	<u>\$ 60,975</u>	<u>\$ 6,866</u>

NOTE 5 - PENSION PLAN FUNDS

**Board of Education**

Plan Description

The Greeneville City Schools contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (“SETHEEPP”), a cost-sharing 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 to plan members and their beneficiaries. Benefits are determined by a formula using the member’s high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. 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 plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (“TCA”). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (“COLA”) are provided to retirees each July based on the percentage change in the Consumer Price Index (“CPI”) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 5 - PENSION PLAN FUNDS - (Continued)

**Board of Education (continued)**

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

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Greeneville City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2012 was 9.05% of annual covered payroll. The employer contribution requirement for Greeneville City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2012, 2011, and 2010, were \$1,125,071, \$1,115,403, and \$793,358, respectively, equal to the required contributions for each year.

**Town of Greeneville and Water and Light Commission**

Plan Description

Employees of the Town of Greeneville and Water and Light Commission are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at age 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 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 Greeneville 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 <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

The Town of Greeneville and Water and Light Commission has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

The Town of Greeneville and Water and Light Commission is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 15.09% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Town of Greeneville is established and may be amended by the TCRS Board of Trustees.

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 5 - PENSION PLAN FUNDS - (Continued)

**Town of Greeneville and Water and Light Commission - (Continued)**

Annual Pension Cost

For the year ending June 30, 2012, the Town of Greeneville and Water and Light Commission's annual pension costs of \$1,854,449 to TCRS was equal to the Town's 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) (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The Town of Greeneville and Water and Light Commission's 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 20 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 1,854,449	100%	\$0.00
June 30, 2011	\$ 2,022,896	100%	\$0.00
June 30, 2010	\$ 1,858,886	100%	\$0.00

**Funding Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the plan was 93.05 percent funded. The actuarial accrued liability for benefits was \$58.15 million, and the actuarial value of assets was \$54.11 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.04 million. The covered payroll (annual payroll of active employees covered by the plan) was \$11.94 million, and the ratio of the UAAL to the covered payroll was 33.84 percent.

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

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 5 - PENSION PLAN FUNDS - (Continued)

**Greenville Light and Power System**

**Plan Description**

Employees of the Greenville Light & Power System are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. 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 Greenville Light & Power System 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 <http://www.tn.gov/treasury/tcrs/PS/>.

**Funding Policy**

Greenville Light & Power System has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Greenville Light & Power System is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012 and 2011 was 13.59% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Greenville Light & Power System is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the years ending June 30, 2012 and 2011, Greenville Light & Power System's annual pension costs of \$723,604 and \$748,604 respectively, to TCRS were equal to the System's required and actual contributions. The required contributions were 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 % (graded) annual rate (no explicit assumption is made regarding the portion attributable to effects of inflation on salaries), and (d) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The Greenville Light & Power System's 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 20 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 5 - PENSION PLAN FUNDS - (Continued)

**Greenville Light and Power System (Continued)**

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 723,604	100%	\$0.00
June 30, 2011	\$ 519,752	100%	\$0.00
June 30, 2010	\$ 748,408	100%	\$0.00

**Funded Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the plan was 82.96% funded. The actuarial accrued liability for benefits was \$16.96 million, and the actuarial value of assets was \$14.07 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.89 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.55 million, and the ratio of the UAAL to the covered payroll was 52.09%.

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

NOTE 6 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

**Board of Education**

Plan Description

The Greenville City Schools participates in the state-administered Teacher Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by TCA 8-27-302. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (“PPO”) plan for healthcare benefits. Subsequent to age 65, members who are also in the state’s retirement system may participate in state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (“CAFR”). The CAFR is available on the state’s website at <http://tennessee.gov/finance/act/cafr.html>.

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 6 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - (Continued)

**Board of Education - (Continued)**

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claim liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The required contribution rate of plan members is:

ARC	\$	302
Interest on the NPO		122
Adjustment to the ARC		(13)
Annual OPEB cost		411
Amount of contribution		(411)
Increase / Decrease in NPO		-
Net OPEB obligation - beginning of year		406
Net OPEB obligation - end of year	\$	406

Year End*	Plan	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6/30/2010	Teacher Group	\$ 402	100.0%	\$ 406
6/30/2011	Teacher Group	\$ 404	100.0%	\$ 406
6/30/2012	Teacher Group	\$ 411	100.0%	\$ 406

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011 was as follows (dollars in thousands):

	Teacher Group Plan
	7/1/2011
Actuarial accrued liability (AAL)	\$ 1,543
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 1,543
Actuarial Value of Assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 14,815
UAAL as a percentage of covered payroll	10%

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 6 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - (Continued)

**Board of Education - (Continued)**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2011, actuarial valuation for the Local Education plan, the Projected Unit Credit actuarial cost method was used and the actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for the fiscal year 2012. The trend will decrease to 8.75 percent in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5 percent by fiscal year 2018. The rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with June 20, 2008.

**Town of Greeneville and Water and Light Commission**

A Brief description of the retiree medical insurance plans:

- |                         |  |
|-------------------------|--|
| a) Plan types           | Medical insurance through Blue Cross Blue Shield of Tennessee  |
| b) Eligibility          | In order to retire, employees must have<br>-30 years of service or<br>-55 years of age and 5 years of service<br>All benefits cease when employee is Medicare eligible |
| c) Benefit/cost sharing | Employer pays \$1,200 per year until Medicare eligible   |
| d) Spouse benefit       | Yes, until Medicare eligible or retiree is Medicare eligible. Spouse pays \$1,200 per year   |
| e) Surviving Spouse     | Yes, until Medicare eligible. Surviving spouse pays \$1,200 per year.  |
| f) Annual premiums      | Effective 7/1/11 – 6/30/12   |

Plan	
Individual	\$ 5,580
Family	\$16,102

Annual OPEB cost and net OPEB obligation

The Town’s other postemployment benefit (“OPEB”) cost (expense) is calculated based on the annual required contribution of the employer (“ARC”), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s OPEB obligation.

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 6 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - (Continued)

**Town of Greeneville and Water and Light Commission - (Continued)**

Annual OPEB cost and net OPEB obligation - (Continued)

ARC	\$	377
Interest on the NPO		1
Adjustment to the ARC		(1)
Annual OPEB cost		377
Amount of contribution		(385)
Increase / Decrease in NPO		(8)
Net OPEB obligation - beginning of year		27
Net OPEB obligation - end of year	\$	19

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years 2010, 2011 and 2012 are as follows:

Year End*	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End	Covered Payroll	OPEB Cost % of Pay
6/30/2010	\$ 546,977	103.2%	\$ 18,929	\$ 7,263,190	7.5%
6/30/2011	\$ 367,396	97.9%	\$ 26,725	\$ 6,265,061	5.9%
6/30/2012	\$ 377,016	107.1%	\$ -	\$ 6,421,688	5.9%

The funded status and funding progress of the plan as of July 1, 2011 was as follows:

		7/1/2011
Actuarial accrued liability (AAL)	\$	4,122
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	4,122
Actuarial Value of Assets as a % of the AAL		0%
Covered payroll (active plan members)	\$	6,422
UAAL as a percentage of covered payroll		64.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 6 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - (Continued)

**Town of Greeneville and Water and Light Commission - (Continued)**

Actuarial methods and assumptions

The valuation assumed a funding interest rate of 4%; a medical trend rate of 8%; an Entry Age actuarial cost method; an annual payroll growth rate of 2.5%; and remaining amortization period of 30 years at June 30, 2012.

**Light and Power System**

GASB established new standards for the measurement, recognition, and reporting of OPEB. OPEB includes post-employment benefits other than pension, which, for the System, is presently limited to post-employment health care for employees who began their employment prior to January 1, 2009 and who retire under the criteria established by the state retirement system described in Note 5. GASB requires the recognition of the accrued OPEB liability for the respective year, plus the disclosure of the unfunded liability. The System pays the costs of the plan as expenses are actually incurred. This was effective for the System for the fiscal year beginning July 1, 2008.

During 2012, the System had an actuarial study performed to determine the System's actuarial accrued liability for post-employment health care benefits. The present value of the unfunded actuarial accrued OPEB liability was approximately \$16.4 million as of the actuarial valuation date, July 1, 2011.

The valuation assumed a funding interest rate of 4%; a medical trend rate of 9%; an ultimate trend rate of 5%; that the ultimate trend rate will be reached in 2018; an Entry Age Normal actuarial cost method; annual payroll growth rate of 2.5%; and a remaining amortization period of 25.5 years at July 1, 2011.

Currently, 31 retirees meet eligibility requirements. The System pays the cost of health care coverage for pre-Medicare retirees and their dependents. The System also pays the premium for Medicare supplemental coverage for each retiree eligible for Medicare. The System recognizes its share of the cost of health care expenses as claims are paid. During the years ended June 30, 2012 and June 30, 2011, expenditures of \$280,225 and \$293,952 were incurred for postretirement health care. The current year cost was approximately \$1.25 million, and the recorded net OPEB obligation liability at June 30, 2012 was approximately \$4.1 million.

The annual required contribution that will be reported in the next fiscal year is estimated to be \$1.3 million, which includes the normal cost of the plan and the amortization over thirty years of any unfunded actuarial liability.

NOTE 7 - SPECIAL TERMINATION BENEFITS

The Board of Education offers an Early Retirement Incentive Program in accordance with Tennessee Code Annotated 49-2-203(b)(9). All state certified teaching personnel who have completed 15 years of employment with the Greeneville City Schools Systems and who meet the retirement eligibility requirements for full benefits under TCRS, are eligible to participate in the Early Retirement Incentive Program. The benefits to be received by the participants are as follows:

- (a) An employee who chooses to participate in the Early Retirement Incentive Program the first year of eligibility shall receive an annual amount equal to 20% of his/her annual base salary.
- (b) Benefits shall begin in July following retirement and shall be paid annually or biannually at the election of the recipient for three (3) years from the date of retirement.

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 7 - SPECIAL TERMINATION BENEFITS (Continued)

- (c) Any applicant with thirty (30) years or more of credited service, as defined by TCRS, or any applicant who has less than thirty (30) years of credited service, as defined by TCRS, but who has attained age sixty (60) by the end of the fiscal school year (June 30) and who fails to make timely application for the total benefits provided by the program, shall be deemed to have waived the right to claim total benefits. Benefits in the program will then be determined in the following manner:
  - a. Second year eligibility participation: 15% of the most recent annual contractual salary (to be paid in two (2) years)
  - b. Third year eligibility participation: 10% of the most recent annual contractual salary (to be paid in one (1) year)
- (d) Benefits provided by the Program may not be assigned or transferred in any manner. Program benefits shall automatically cease at the death of the participant and shall not pass on to the estate or beneficiary of the participant.

The benefits expensed during the year were \$80,508. At June 30, 2012, the Board had an estimated liability of \$198,926 future benefits of current participants, assuming all participants live until eligibility expires.

NOTE 8 - PREPAID POWER

The System has an agreement with TVA by which the System maintains an interest-earning prepaid power account for its purchases of electricity. At June 30, 2012, the System had deposits with TVA totaling \$25,541 and had a liability for purchased power equaling \$6,906,732. The account yielded an interest rate of .0087 at June 30, 2012.

NOTE 9 - CONDUIT DEBT OBLIGATIONS

From time to time, the Town has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Town, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

**Pending Litigation**

- (1) The Town is the defendant in lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements and accordingly, no provision for losses has been recorded.
- (2) The Water and Light Commission is also involved in certain litigation, but does not believe that there could be a significant impact on its financial position as a result of the litigation. No provision for loss has been included in the financial statements.

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 10 - COMMITMENTS AND CONTINGENCIES (Continued)

**Commitments and Contingencies**

- (1) The Town and Greene County operate the Greeneville-Greene County Landfill (the "Landfill") as a joint venture. The operations of the Landfill are accounted for in an enterprise fund and a separate report has been issued as of and for the year ended June 30, 2012. The Landfill's financial statements reflect a liability for future closure and postclosure care costs of \$1,397,099. The Town will be responsible for one half of any closure and postclosure costs for which the Landfill does not have adequate funds.
- (2) During the year, the Water and Light Commission entered into contractual agreements with the Old Knoxville Highway, Chuckey, and Cross Anchor Utility Districts. The contracts state that the Commission will provide and sell water to the Utility Districts at the Greeneville Water Commission's current inside rates. The contracts are for 20 years, expiring in 2013. However, the Chuckey and Cross Anchor contracts include an early termination option of 10 years with a 5 year written notice.

The Water and Light Commission also has signed agreements with Glen Hills Utility District and the Town of Mosheim.

- (3) The Greeneville Light and Power System Board has allocated \$870,000 of its reserves to advance as needed to the Industrial Park Agency, the Town of Greeneville/Greene County Board which is developing Phase II of the Mt. Pleasant Industrial Park and Hardin Industrial Complex. The funds are to be repaid without interest to the System as developed property is sold or as development expenses are recovered through grant proceeds received by the Agency. As of June 30, 2012, \$618,179 of the allocation had been expended but not reimbursed, and represents a receivable due from the Industrial Park Agency.

During 2011, a series of tornadoes caused significant damage to the Greeneville Light and Power System's plant. The total cost of the storm damage was approximately \$1.2 million. During 2012, the System received assistance in the form of a disaster grant from the Department of Homeland Security and the State of Tennessee, passed through the Town of Greeneville. Total assistance received under the grant, \$960,951, was recognized in income during 2012.

- (4) The Town has funded up to \$22,000,000 for school improvements. Of this \$22,000,000, the Board of Education must repay \$2,000,000 for improvements to Eastview Elementary School and Tusculum View Elementary School in fifteen annual installments, including interest, from Basic Education Program ("BEP") non-classroom funds. The note matures June 1, 2014, and the interest rates range from 3.5% to 4.85%. The amount paid to the Town for June 30, 2012 was \$184,410. The principal balance the Board owes the Town for the two elementary schools at June 30, 2012 was \$350,000.

Also, the Town of Greeneville has committed to fund up to \$1.8 million for school improvements to Greeneville Middle School. The Board of Education must repay these funds from the BEP non-classroom funds. The note matures on June 1, 2025, and the interest rate is 6.0%. The amount paid to the Town for June 30, 2012 was \$146,600. The principal balance the Board owes the Town for Greeneville Middle School at June 30, 2012 was \$1,355,000.

To assist the Town of Greeneville for the construction of Greeneville High School, the Board of Education agreed to pay the Town, on an annual basis, the quarter cent sales tax money the Board of Education receives. This amount was \$203,163 for the year ended June 30, 2012. This payment will be made each year until fiscal year ended 2025.

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 11 - FUND BALANCES

Amounts for specific purposes by fund and fund balance classifications for the year ended June 30, 2012, are as follows:

<u>Fund Balance Classifications</u>	<u>General Fund</u>	<u>General Purpose School Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Nonspendable</b>				
School Nutrition Food Inventory	\$ -	\$ -	\$ 123,334	\$ 123,334
Prepaid Insurance	84,478	-	-	84,478
Total Nonspendable	84,478	-	123,334	207,812
<b>Restricted</b>				
School Nutrition	-	-	485,908	485,908
Education	-	3,620	-	3,620
Police SOF	3,961	-	-	3,961
State Street Aid	-	-	1,251,784	1,251,784
Total Restricted	3,961	3,620	1,737,692	1,745,273
<b>Committed</b>				
Litigation fees	115,315	-	-	115,315
Community Development	-	-	-	-
Total Committed	115,315	-	-	115,315
<b>Assigned</b>				
Extended School Program	-	-	10,744	10,744
Instruction	-	60,681	-	60,681
Education	-	14,839	-	14,839
Municipal Solid Waste	-	-	111,570	111,570
Parking Fund	-	-	128,267	128,267
Self-insurance fund	2,328,005	-	-	2,328,005
Housing Authority Bonds	535,459	-	-	535,459
Special Events	5,267	-	-	5,267
Board of Education	-	3,080,842	-	3,080,842
Subsequent year's budget	-	500,110	-	500,110
Total Assigned	2,868,731	3,656,472	250,581	6,775,784
Unassigned	6,509,159	-	(157,807)	6,351,352
<b>Total Fund Balance</b>	<b>\$ 9,581,644</b>	<b>\$ 3,660,092</b>	<b>\$ 1,953,800</b>	<b>\$ 15,195,536</b>

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 12 - RISK MANAGEMENT

The Town, Board of Education, Light & Power System, and Water and Light Commission are 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. Risks of loss are covered by commercial insurance as indicated in the Schedules of Insurance Coverage as listed in the table of contents. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

In addition the Town provides medical insurance to employees as well as post employment health care benefits through a partially self-funded health insurance plan and maintains a self-insurance reserve of fund balance as described in Note 1. Participants in the plan pay premiums as determined by the Town to offset a portion of the cost of the plan. The Town pays 80 percent of the claims up to \$1,000 and 100 percent of the amount exceeding \$1,000, with a deductible of \$200 per individual. For the year ended June 30, 2011, total claims incurred were \$1,471,889 and claims paid were \$1,734,131. The total paid during the year ending June 30, 2012 included payment for claims incurred in previous years.

NOTE 13 - CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Light & Power System and Water and Light Commission to concentrations of credit risk consist primarily of customer accounts receivable. Account monitoring procedures are utilized to minimize the risk of loss. Management does not believe significant credit risk exists at June 30, 2012.

The Town's investments in corporate bonds expose the General Fund of the Town to risks due to the volatility of the stock market.

NOTE 14 - POWER CONTRACT

The System has a power contract with TVA whereby the System purchases most of its electric power from TVA and is subject to certain restrictions and conditions as provided in the contract. The System has a supplemental agreement with TVA which allows the System to purchase up to 5% of its power from other sources.

NOTE 15 - TVA HOME INSULATION PROGRAM

Under a contract with the Tennessee Valley Authority, the System participated in a home insulation program providing for advances to qualified customers for installing heat pumps in their homes to TVA specifications. Funds for advances to customers were provided from financial institution advances to the System. Customer repayments are remitted to the applicable financial institution by the System.

NOTE 16 - RELATED PARTY TRANSACTIONS

The Board acts as the fiscal agent for the Greene Technology Center. The Greene Technology Center is a related party as a result of shared directors from the city and county school boards. In this role, the Board received money during the year for the Greene Technology Center from the following sources:

State of Tennessee and federal funds (includes \$128,548 in federal funds from Greene County Board of Education)	\$ 698,928
Greene County	480,041
Greene County Board of Education	315,660
Greeneville Board of Education	80,400
Other	<u>463</u>
	<u>\$ 1,575,492</u>

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Financial Statements (Continued)

NOTE 17 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the Town of Greeneville, Tennessee increasing fund balance in the amount of \$17,482. This amount was recorded as a payable in the prior year, but was not an actual expense of the Town.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF GREENEVILLE, TENNESSEE  
Schedule of Retirement Plan Funding Progress (Unaudited)  
Year Ended June 30, 2012

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Town of Greeneville</u>						
July 1, 2011	\$ 54,114	\$ 58,154	\$ 4,041	93.05%	\$ 11,939	33.84%
July 1, 2009	\$ 46,436	\$ 54,985	\$ 8,549	84.45%	\$ 12,143	70.40%
July 1, 2007	\$ 45,245	\$ 48,697	\$ 3,452	92.91%	\$ 11,778	29.31%
<u>Greeneville Light &amp; Power System</u>						
July 1, 2011	\$ 14,071	\$ 16,961	\$ 2,890	82.96%	\$ 5,548	52.09%
July 1, 2009	\$ 11,788	\$ 15,444	\$ 3,656	76.33%	\$ 4,662	78.42%
July 1, 2007	\$ 11,805	\$ 11,913	\$ 108	99.09%	\$ 4,418	2.44%

TOWN OF GREENEVILLE, TENNESSEE  
Schedule of Other Post Employment Benefits Funding Progress (Unaudited)  
Year Ended June 30, 2012

(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)
Town of Greeneville						
July 1, 2010	\$ -	\$ 4,141	\$ 4,141	0%	\$ 6,265	66.10%
July 1, 2008	\$ -	\$ 6,666	\$ 6,666	0%	\$ 7,086	94.10%
Board of Education						
July 1, 2011	\$ -	\$ 1,543	\$ 1,543	0%	\$ 14,815	10.42%
July 1, 2010	\$ -	\$ 2,003	\$ 2,003	0%	\$ 14,564	12.65%
July 1, 2009	\$ -	\$ 1,977	\$ 1,977	0%	\$ 14,645	13.50%
Greeneville Light and Power System						
July 1, 2011	\$ -	\$ 16,379	\$ 16,379	0%	\$ 4,406	371.7%
February 1, 2008	\$ -	\$ 18,812	\$ 18,812	0%	\$ 4,300	438.0%

COMBINING STATEMENTS

TOWN OF GREENEVILLE, TENNESSEE  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012

	Federal Projects Fund	School Nutrition Fund	Extended School Program	State Street Aid Fund	Community Development Fund	Municipal Solid Waste Fund	Parking Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	\$ 520,588	\$ 8,326	\$ 1,027,381	\$ 154,755	\$ 69,518	\$ 130,682	\$ -	\$ 1,911,250
Due from other governmental units	430,149	-	-	149,942	356,177	-	-	-	936,268
Accounts receivable	-	-	2,418	-	-	113,058	-	-	115,476
Inventory	-	123,334	-	-	-	-	-	-	123,334
Certificates of deposit	-	-	-	221,251	-	-	-	-	221,251
<b>Total assets</b>	<b>\$ 430,149</b>	<b>\$ 643,922</b>	<b>\$ 10,744</b>	<b>\$ 1,398,574</b>	<b>\$ 510,932</b>	<b>\$ 182,576</b>	<b>\$ 130,682</b>	<b>\$ -</b>	<b>\$ 3,307,579</b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities</b>									
Accounts payable	\$ 1,075	\$ 34,680	\$ -	\$ 66,172	\$ 341,296	\$ 59,001	\$ 1,151	\$ -	\$ 503,375
Accrued liabilities	-	-	-	-	-	12,005	1,264	-	13,269
Deferred revenue - other	-	-	-	80,618	327,307	-	-	-	407,925
Due to other funds	429,210	-	-	-	-	-	-	-	429,210
<b>Total liabilities</b>	<b>430,285</b>	<b>34,680</b>	<b>-</b>	<b>146,790</b>	<b>668,603</b>	<b>71,006</b>	<b>2,415</b>	<b>-</b>	<b>1,353,779</b>
<b>Fund balances</b>									
Nonspendable	-	123,334	-	-	-	-	-	-	123,334
Restricted	-	485,908	-	1,251,784	-	-	-	-	1,737,692
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	10,744	-	-	111,570	128,267	-	250,581
Unassigned	(136)	-	-	-	(157,671)	-	-	-	(157,807)
<b>Total fund balances</b>	<b>(136)</b>	<b>609,242</b>	<b>10,744</b>	<b>1,251,784</b>	<b>(157,671)</b>	<b>111,570</b>	<b>128,267</b>	<b>-</b>	<b>1,953,800</b>
	<b>\$ 430,149</b>	<b>\$ 643,922</b>	<b>\$ 10,744</b>	<b>\$ 1,398,574</b>	<b>\$ 510,932</b>	<b>\$ 182,576</b>	<b>\$ 130,682</b>	<b>\$ -</b>	<b>\$ 3,307,579</b>

TOWN OF GREENEVILLE, TENNESSEE  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2012

	Federal Projects Fund	School Nutrition Fund	Extended School Program	State Street Aid Fund	Community Development Fund	Municipal Solid Waste Fund	Parking Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>									
Intergovernmental revenues	\$ 2,701,961	\$ 880,605	\$ 15,549	\$ 390,477	\$ 16,182	\$ -	\$ -	\$ -	\$ 4,004,774
Food service	-	547,726	-	-	-	-	-	-	547,726
Other revenues	-	20,692	43	884,638	733,644	-	-	-	1,639,017
Charges for service	-	-	97,404	-	-	1,066,050	55,446	-	1,218,900
Interest income	-	438	23	1,973	-	-	-	-	2,434
<b>Total revenues</b>	<u>2,701,961</u>	<u>1,449,461</u>	<u>113,019</u>	<u>1,277,088</u>	<u>749,826</u>	<u>1,066,050</u>	<u>55,446</u>	<u>-</u>	<u>7,412,851</u>
<b>Expenditures</b>									
Education	2,702,097	-	109,769	-	-	-	-	-	2,811,866
Public works	-	-	-	2,131,039	-	1,429,828	74,356	-	3,635,223
Food service	-	1,436,266	-	-	-	-	-	-	1,436,266
Community development	-	-	-	-	1,087,103	-	-	-	1,087,103
<b>Total expenditures</b>	<u>2,702,097</u>	<u>1,436,266</u>	<u>109,769</u>	<u>2,131,039</u>	<u>1,087,103</u>	<u>1,429,828</u>	<u>74,356</u>	<u>-</u>	<u>8,970,458</u>
Excess of revenues over (under) expenditures	<u>(136)</u>	<u>13,195</u>	<u>3,250</u>	<u>(853,951)</u>	<u>(337,277)</u>	<u>(363,778)</u>	<u>(18,910)</u>	<u>-</u>	<u>(1,557,607)</u>
<b>Other financing sources (uses)</b>									
Operating transfers in	-	-	-	-	-	414,612	6,000	-	420,612
Operating transfers out	-	-	-	-	-	-	-	(6)	(6)
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>414,612</u>	<u>6,000</u>	<u>(6)</u>	<u>420,606</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(136)</u>	<u>13,195</u>	<u>3,250</u>	<u>(853,951)</u>	<u>(337,277)</u>	<u>50,834</u>	<u>(12,910)</u>	<u>(6)</u>	<u>(1,137,001)</u>
Fund balances, July 1, 2011	<u>-</u>	<u>596,047</u>	<u>7,494</u>	<u>2,105,735</u>	<u>179,606</u>	<u>60,736</u>	<u>141,177</u>	<u>6</u>	<u>3,090,801</u>
Fund balances, June 30, 2012	<u>\$ (136)</u>	<u>\$ 609,242</u>	<u>\$ 10,744</u>	<u>\$ 1,251,784</u>	<u>\$ (157,671)</u>	<u>\$ 111,570</u>	<u>\$ 128,267</u>	<u>\$ -</u>	<u>\$ 1,953,800</u>

See accompanying independent auditors' report.

INDIVIDUAL FUND FINANCIAL STATEMENTS

TOWN OF GREENEVILLE, TENNESSEE  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Federal Projects  
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
Revenues				
Federal government	\$ 2,268,163	\$ 2,782,658	\$ 2,701,961	\$ (80,697)
Total revenues	<u>2,268,163</u>	<u>2,782,658</u>	<u>2,701,961</u>	<u>(80,697)</u>
Expenditures				
Regular instruction				
Salaries	1,441,193	1,922,946	1,793,104	129,842
Employee benefits	388,873	390,295	429,818	(39,523)
Contracted services	158,531	186,595	159,474	27,121
Materials and supplies	30,266	32,226	51,869	(19,643)
Staff development	17,036	17,036	19,353	(2,317)
Equipment	16,064	16,064	41,662	(25,598)
Other	<u>216,200</u>	<u>217,496</u>	<u>206,817</u>	<u>10,679</u>
Total expenditures	<u>2,268,163</u>	<u>2,782,658</u>	<u>2,702,097</u>	<u>80,561</u>
Deficit of revenues under expenditures	-	-	(136)	(136)
Fund balance, July 1, 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (136)</u>	<u>\$ (136)</u>

TOWN OF GREENEVILLE, TENNESSEE  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
School Nutrition Program  
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance - with Final Budget
	Original	Final		
<b>Revenues</b>				
Federal government	\$ 767,412	\$ 767,412	\$ 880,605	\$ 113,193
State of Tennessee	12,000	12,000	12,567	567
Charges for services	550,000	550,000	547,726	(2,274)
Investment income	300	300	438	138
Other local revenue	4,000	4,000	8,125	4,125
	<u>1,333,712</u>	<u>1,333,712</u>	<u>1,449,461</u>	<u>115,749</u>
<b>Expenditures</b>				
Salaries	488,226	488,226	485,223	3,003
Employee benefits	188,249	188,249	188,950	(701)
Food service	532,837	532,837	593,623	(60,786)
Contracted services	20,000	20,000	14,434	5,566
Equipment	45,000	45,000	49,398	(4,398)
Supplies	46,800	46,800	57,284	(10,484)
Travel	1,500	1,500	993	507
Other	11,100	11,100	46,361	(35,261)
	<u>1,333,712</u>	<u>1,333,712</u>	<u>1,436,266</u>	<u>(102,554)</u>
Excess of revenues over expenditures	-	-	13,195	13,195
Fund balance, July 1, 2011	<u>596,047</u>	<u>596,047</u>	<u>596,047</u>	<u>-</u>
Fund balance, June 30, 2012	<u>\$ 596,047</u>	<u>\$ 596,047</u>	<u>\$ 609,242</u>	<u>\$ 13,195</u>

TOWN OF GREENEVILLE, TENNESSEE  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Extended School Program  
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance - with Final Budget
	Original	Final		
Revenues				
Federal government	\$ 3,150	\$ 3,150	\$ 15,549	\$ 12,399
Charges for services	129,875	129,875	97,404	(32,471)
Investment income	10	10	23	13
Other revenues	-	-	43	43
	<u>133,035</u>	<u>133,035</u>	<u>113,019</u>	<u>(20,016)</u>
Total revenues				
Expenditures				
Salaries	87,558	87,558	76,286	11,272
Employee benefits	16,647	16,647	13,816	2,831
Food service	6,500	6,500	6,620	(120)
Supplies	17,470	17,470	4,110	13,360
Bad debts	-	-	2,045	(2,045)
Travel	760	760	47	713
Other	4,100	4,100	6,845	(2,745)
	<u>133,035</u>	<u>133,035</u>	<u>109,769</u>	<u>23,266</u>
Total expenditures				
Excess of revenues over expenditures	-	-	3,250	3,250
Fund balance, July 1, 2011	<u>7,494</u>	<u>7,494</u>	<u>7,494</u>	<u>-</u>
Fund balance, June 30, 2012	<u>\$ 7,494</u>	<u>\$ 7,494</u>	<u>\$ 10,744</u>	<u>\$ 3,250</u>

TOWN OF GREENEVILLE, TENNESSEE  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
State Street Aid  
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance - with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
State of Tennessee - gasoline tax	\$ 400,000	\$ 400,000	\$ 390,477	\$ (9,523)
Other revenues	-	-	884,638	\$ 884,638
Investment income	-	-	<u>1,973</u>	<u>1,973</u>
Total revenues	<u>400,000</u>	<u>400,000</u>	<u>1,277,088</u>	<u>877,088</u>
Expenditures				
Street repairs and maintenance - contracts	<u>400,000</u>	<u>400,000</u>	<u>2,131,039</u>	<u>(1,731,039)</u>
Excess of revenues under expenditures	-	-	(853,951)	(853,951)
Fund balance, July 1, 2011	<u>2,105,735</u>	<u>2,105,735</u>	<u>2,105,735</u>	<u>-</u>
Fund balance, June 30, 2012	<u>\$ 2,105,735</u>	<u>\$ 2,105,735</u>	<u>\$ 1,251,784</u>	<u>\$ (853,951)</u>

TOWN OF GREENEVILLE, TENNESSEE  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Municipal Solid Waste  
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance - with Final Budget
	Original	Final		
<b>Revenues</b>				
Garbage fees	\$ 750,000	\$ 750,000	\$ 786,338	\$ 36,338
Pull/rental charges	245,640	245,640	262,301	16,661
Toter/container sales	15,000	15,000	13,000	(2,000)
Miscellaneous revenues	<u>500</u>	<u>500</u>	<u>4,411</u>	<u>3,911</u>
Total revenues	<u>1,011,140</u>	<u>1,011,140</u>	<u>1,066,050</u>	<u>54,910</u>
<b>Expenditures</b>				
Salaries	287,662	287,662	327,855	(40,193)
Fringe benefits	184,020	184,020	210,873	(26,853)
Contracts	502,800	502,800	530,489	(27,689)
Operation of motor vehicles	430,000	430,000	323,796	106,204
Supplies and other	<u>21,270</u>	<u>21,270</u>	<u>36,815</u>	<u>(15,545)</u>
Total expenditures	<u>1,425,752</u>	<u>1,425,752</u>	<u>1,429,828</u>	<u>(4,076)</u>
Excess of expenditures over revenues	(414,612)	(414,612)	(363,778)	50,834
<b>Other financing sources</b>				
Operating transfer from general fund	<u>414,612</u>	<u>414,612</u>	<u>414,612</u>	<u>-</u>
Excess of revenues over expenditures and other financing sources	-	-	50,834	50,834
Fund balance, July 1, 2011	<u>60,736</u>	<u>60,736</u>	<u>60,736</u>	<u>-</u>
Fund balance, June 30, 2012	<u>\$ 60,736</u>	<u>\$ 60,736</u>	<u>\$ 111,570</u>	<u>\$ 50,834</u>

SUPPLEMENTARY INFORMATION

TOWN OF GREENEVILLE, TENNESSEE  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

Pass-through Grantor/ Program Title	Federal CFDA Number	(Accrued) Deferred July 1, 2011	Cash Receipts	Expenditures	(Accrued) Deferred June 30, 2012
<b>Board of Education</b>					
<b>United States Department of Health and Human Services Grants Passed Through Tennessee Department of Education</b>					
Head Start	93.600	\$ -	\$ 104,813	\$ (104,813)	\$ -
<b>United States Department of Health and Human Services Grant Passed Through Upper East Tennessee Human Development Agency</b>					
Child Care Assistance	93.575	(4,823)	18,442	(13,619)	-
<b>United States Department of Agriculture Grants</b>					
Child Care Food	10.558	-	121,362	(121,362)	-
School Breakfast Program	10.553	-	164,344	(164,344)	-
National School Lunch Program	10.555	-	492,016	(492,016)	-
		-	777,722	(777,722)	-
<b>United States Department of Education Grants Passed Through Tennessee Department of Education</b>					
Adult Basic Education	84.002	(43,480)	254,157	(258,004)	(47,327)
NCLB, Title I	84.010	(10,786)	773,194	(949,508)	(187,100)
Special Education - Grants to States (IDEA, Part B)	84.027	(7,321)	628,413	(738,084)	(116,992)
IDEA Preschool	84.173	-	7,676	(7,676)	-
Internet	84.397	(92,441)	196,931	(104,490)	-
Safe and Drug-Free Schools	84.184	-	18,729	(18,729)	-
Education Jobs Fund	84.410	(21,662)	457,594	(491,591)	(55,659)
Title VI, Part B	84.358	(680)	55,505	(69,409)	(14,584)
Title II, Part D	84.318	-	1,611	(1,611)	-
Title III, Part A	84.365	-	37,729	(37,729)	-
Title II, Part A	84.367	-	96,938	(110,611)	(13,673)
Title IV, Part B - 21st Century	84.287	(33,661)	48,046	(50,000)	(35,615)
E Rate	84.302A	-	49,990	(49,990)	-
Race to the Top Incentive Grants	84.395	(37,247)	287,917	(292,813)	(42,143)
		(247,278)	2,914,430	(3,180,245)	(513,093)
<b>United States Department of Education Grants Passed Through Tennessee Department of Education and Greene County Board of Education</b>					
Greene County Board of Education and TN Department of Education					
Vocational Education - Perkins	84.048	43,629	128,548	(128,548)	43,629
Title I, Section 112 (c) Reserve	84.048	(43,629)	-	-	(43,629)
		-	128,548	(128,548)	-
<b>United States Department of Defense Grant</b>					
Junior ROTC	12.357	(4,791)	52,782	(52,823)	(4,832)
<b>Total Board of Education</b>		(256,892)	3,996,737	(4,257,770)	(517,925)
<b>Greeneville Light and Power System</b>					
United States Department of Homeland Security	97.036	-	633,644	(960,951) <sup>1</sup>	(327,307)

<sup>1</sup> \$823,672 of this amount represents federal funds

TOWN OF GREENEVILLE, TENNESSEE  
Schedule of Expenditures of Federal Awards (Continued)

Pass-through Grantor/ Program Title	Federal CFDA Number	(Accrued) July 1, 2011	Cash Receipts	Expenditures	(Accrued) June 30, 2012
<b><u>General Fund, State Street Aid, and Community Development</u></b>					
<b>United States Department of Homeland Security</b>					
Assistance to Firefighters Grant	97.044	-	131,283	(154,537)	(23,254)
<b>United States Department of Energy Grant Passed Through Tennessee Department of Economic and Community Development</b>					
Energy Efficiency Conservation Block Grant - ARRA	81.128	(8,500)	83,050	(91,500)	(16,950)
<b>United States Department of Housing and Urban Development Grant Passed Through Tennessee Department of Economic and Community Development</b>					
Housing Rehabilitation Community Development Block Grant	14.228	-	-	(11,920)	(11,920)
<b>United States Department of Health and Human Services Grant Passed Through Tennessee Commission on Aging Passed Through First Tennessee Development District</b>					
Special Programs for the Aging - Supportive Services and Senior Centers - I	93.044	(4,017)	48,117	(44,100)	-
<b>United States Department of Justice Drug Enforcement Agency</b>					
Organized Crime Drug Enforcement Task Forces SE-TNE-211H	16.na	-	245	(245)	-
<b>United States Department of Justice</b>					
Bulletproof Vest Partnership Program	16.607	(3,182)	7,096	(5,997)	(2,083)
<b>United States Department of Homeland Security, FEMA Passed Through TN Department of Military, TN Emergency Management Agency</b>					
Public Assistance Grant for Presidential Disaster Declaration FEMA-197	97.036	-	633,644	(960,951)	(327,307)
<b>United States Department of Transportation Grants Passed Through Tennessee Department of Transportation</b>					
Railroad Crossing-Approaches Adjustment Agreement	20.317	(59,507)	59,507	-	-
Highway Enforcement Life Protection (H.E.L.P.)	20.600	-	3,984	(3,984)	-
Fairgrounds Connector Road (Highway Planning and Construction)	20.205	-	790,453	(871,072)	(80,619)
Roadscapes Project # STP-EN-FY05(17)	20.205	-	20,445	(20,445)	-
		(59,507)	874,389	(895,501)	(80,619)
<b>Total General Fund, State Street Aid, and Community Development</b>					
		(75,206)	1,777,824	(2,164,751)	(462,133)
<b>Total Federal Funds</b>					
		\$ (332,098)	\$ 6,408,205	\$ (7,383,472)	\$ (1,307,365)

<sup>1</sup> \$823,672 of this amount represents federal funds

TOWN OF GREENEVILLE, TENNESSEE  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Greeneville, Tennessee under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town of Greeneville, Tennessee, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Greeneville, Tennessee.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recorded following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - SUBRECIPIENTS

The Board of Education provided federal awards to the Greene Technology Center as follows:

<u>Program Title</u>	<u>Amount</u>
Perkins	\$80,400

NOTE D - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the estimated fair market value of the commodities received and disbursed.

TOWN OF GREENEVILLE, TENNESSEE  
Schedule of Other Grant Activity  
Year Ended June 30, 2012

Grantor/Program Title	(Accrued) July 1, 2011	Cash Receipts	Expenditures	(Accrued) June 30, 2012
<b>Board of Education</b>				
<b>Tennessee Department of Education</b>				
Early Childhood	\$ (34,199)	\$ 265,600	\$ (410,626)	\$ (179,225)
Arts Student Ticket Subsidy	-	3,215	(3,215)	-
ConnecTN	-	9,490	(9,490)	-
School Safety	-	12,900	(12,900)	-
Coordinated School Health State Expansion	(25,641)	96,774	(95,000)	(23,867)
ACT Testing	-	3,161	(3,161)	-
Advanced Placement Testing	-	456	(456)	-
Basic Education Program	(283,475)	11,136,695	(10,853,220)	-
Career Ladder	-	194,920	(194,920)	-
Professional Development	(25,000)	25,000	(25,000)	(25,000)
Child Nutrition Equipment	-	1,800	(1,800)	-
Child Nutrition	-	12,567	(12,567)	-
<b>Total Board of Education</b>	<u>(368,315)</u>	<u>11,762,578</u>	<u>(11,622,355)</u>	<u>(228,092)</u>
<b>General Fund</b>				
<b>Tennessee Department of Agriculture</b>				
Farmer's Market - Downtown	-	1,000	(1,000)	-
<b>Tennessee Department of Environment &amp; Conservation</b>				
Hal Henard Sports Complex	-	-	(104,014)	(104,014)
<b>Tennessee Commission on Aging Grant Passed Through First Tennessee Development District</b>				
State Senior Center	-	12,400	(12,400)	-
<b>Total General Fund</b>	<u>-</u>	<u>13,400</u>	<u>(117,414)</u>	<u>(104,014)</u>
<b>Water and Light Commission</b>				
<b>Bridge over Richland Creek</b>				
(TDOT CMS System)	-	2,537	(2,537)	-
<b>Total Water and Light Commission</b>	<u>-</u>	<u>2,537</u>	<u>(2,537)</u>	<u>-</u>
<b>Total State Funds</b>	<u>\$ (368,315)</u>	<u>\$ 11,778,515</u>	<u>\$(11,742,306)</u>	<u>\$ (332,106)</u>

TOWN OF GREENEVILLE, TENNESSEE  
Schedule of General Bonded Debt  
June 30, 2012

Year Ended June 30	General Obligation Series 2002		General Obligation Series A		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 85,000	\$ 10,465	\$ 55,000	\$ 38,771	\$ 140,000	\$ 49,236
2014	90,000	6,440	55,000	36,489	145,000	42,929
2015	95,000	2,185	60,000	34,021	155,000	36,206
2016	-	-	60,000	31,388	60,000	31,388
2017	-	-	65,000	28,606	65,000	28,606
2018-2022	-	-	375,000	92,375	375,000	92,375
2023-2024	-	-	175,000	9,053	175,000	9,053
	<u>\$ 270,000</u>	<u>\$ 19,090</u>	<u>\$ 845,000</u>	<u>\$ 270,703</u>	<u>\$ 1,115,000</u>	<u>\$ 289,793</u>

TOWN OF GREENEVILLE, TENNESSEE  
Schedule of Notes Payable  
June 30, 2012

Year Ended June 30	G.O. Refunding Bonds, Series 2009		G.O. Refunding Bond, Series 2010		G.O. Bonds, Series 2010		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 115,000	\$ 425,200	\$ -	\$ 390,075	\$ 250,000	\$ 24,700	\$ 365,000	\$ 839,975
2014	120,000	422,325	-	390,075	280,000	19,700	400,000	832,100
2015	120,000	419,025	-	390,075	320,000	14,100	440,000	823,200
2016	125,000	415,425	760,000	390,075	350,000	7,700	1,235,000	813,200
2017	130,000	411,675	1,100,000	374,875	-	-	1,230,000	786,550
2018-2022	5,795,000	1,722,450	1,965,000	1,538,475	-	-	7,760,000	3,260,925
2023-2027	4,815,000	389,600	3,895,000	1,304,050	-	-	8,710,000	1,693,650
2028-2029	-	-	3,400,000	204,000	-	-	3,400,000	204,000
	<u>\$ 11,220,000</u>	<u>\$ 4,205,700</u>	<u>\$ 11,120,000</u>	<u>\$ 4,981,700</u>	<u>\$ 1,200,000</u>	<u>\$ 66,200</u>	<u>\$23,540,000</u>	<u>\$ 9,253,600</u>

See accompanying independent auditors' report.

TOWN OF GREENEVILLE, TENNESSEE  
 Schedule of Interfund Transfers - All Funds  
 Year Ended June 30, 2012

Transfer From	Transfer To			Total
	General Fund	General Purpose School Fund	Municipal Solid Waste Fund	
General Fund	\$ -	\$ 5,442,395	\$ 414,612	\$ 5,857,007
Capital Projects Fund	-	6	-	6
Light & Power System	<u>1,142,256</u>	<u>-</u>	<u>-</u>	<u>1,142,256</u>
	<u>\$ 1,142,256</u>	<u>\$ 5,442,401</u>	<u>\$ 414,612</u>	<u>\$ 6,999,269</u>

TOWN OF GREENEVILLE, TENNESSEE  
Schedule of Changes in Taxes Receivable  
Year Ended June 30, 2012

Year of Levy	Assessment	Rate	Total Levy	Balance Unpaid 7/1/2011	Levy	Collections	Releases, Adjustments & Abatements	Balance Unpaid 6/30/2012
2012	\$ 432,199,169	1.86	\$ 8,323,179	\$ -	\$ 8,323,179	\$ -	\$ -	\$ 8,323,179
2011	428,831,865	1.86	8,323,179	8,323,179	-	7,947,774	-	375,405
2010	428,831,865	1.86	8,278,513	605,544	-	492,495	-	113,049
2009	436,600,539	1.86	8,148,244	106,060	-	36,211	-	69,849
2008	434,527,018	2.29	8,339,350	40,715	-	14,233	-	26,482
2007	354,959,015	2.29	8,128,569	22,502	-	15,250	-	7,252
2006	344,008,201	2.29	7,877,788	8,997	-	-	-	8,997
2005	343,925,015	2.29	7,980,733	7,289	-	-	-	7,289
2004	336,401,719	2.29	8,031,950	8,523	-	-	-	8,523
2003	331,437,664	2.56	7,884,627	10,237	-	-	-	10,237
2002	286,366,462	2.56	7,617,194	18,514	-	-	-	18,514
2001	300,134,156	2.40	7,684,302	9,054	-	-	-	9,054
2000	271,400,826	2.40	6,514,041	5,008	-	-	-	5,008
				<u>\$ 9,165,622</u>	<u>\$ 8,323,179</u>	<u>\$ 8,505,963</u>	<u>\$ -</u>	8,982,838
							Less allowance for uncollectibles	<u>(89,743)</u>
								<u>\$ 8,893,095</u>

\* As of June 30, 2012, all unpaid taxes for years 2010 and earlier had been turned over to the county clerk and master for collection.

TOWN OF GREENEVILLE, TENNESSEE  
 Schedule of Customer and Rate Data  
 Light & Power System  
 June 30, 2012

Customer Data

	<u>2012</u>	<u>2011</u>	<u>Increase</u>
Number of customers served in the month of June	37,721	37,706	15

Rate Data

	<u>Customer Charge</u>	<u>Energy Charge (Per kWh)</u>
Residential rate -	\$11.11	\$.08839
General power rate - Schedule GSA		

Base Charges

A. This rate shall apply to the firm power requirements (where a customer's contract demand is 5,000 kW or less) for electric service to commercial, industrial, and governmental customers, and to institutional customers including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers. This rate shall also apply to customers to whom service is not available under any other resale rate schedule.

1. If the higher of (i) the customer's currently effective contract demand, if any, or (ii) its highest billing demand during the latest 12-month period is not more than 50 kW:

Customer Charge: \$15.50 per delivery point per month

Energy Charge: \$0.10023 per kWh per month

2. If (a) the higher of (i) customer's currently effective contract demand or (ii) its highest billing demand during the latest 12-month period is greater than 50 kW but not more than 1,000 kW or (b) the customer's billing demand is less than 50 kW and its energy takings for any month during such period exceed 15,000 kWh:

Customer Charge: \$30.00 per delivery point per month

Demand Charge: First 50 kW of billing demand per month, no demand charge

Excess over 50 kW of billing demand per month, at \$11.63 per kW

Energy Charge: First 15,000 kWh per month at \$0.10100 per kWh

Additional kWh per month at \$0.06170 per kWh

3. If (a) the higher of the customer's currently effective contract demand or (b) its highest billing demand during the latest 12-month period is greater than 1,000 kW but not more than 2,500 kW:

Customer charge: \$200.00 per delivery point per month

TOWN OF GREENEVILLE, TENNESSEE  
Schedule of Customer and Rate Data (Continued)  
Light & Power System  
June 30, 2012

Demand Charge: First 1,000 kW of billing demand per month, at \$10.70  
per kW

Additional kW of billing demand per month at \$10.81  
per kW

Energy Charge: \$0.06387 per kWh per month

4. If (a) the higher of the customer's currently effective contract demand or (b) its highest billing demand during the latest 12-month period is greater than 2,500 kW but no more than 5,000 kW:

Customer charge: \$325.00 per delivery point per month

Demand Charge: First 1,000 kW of billing demand per month, at \$10.70  
per kW

Additional kW of billing demand per month, at \$10.81  
per kW

Energy Charge: \$0.06387 per kWh per month

- B. This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 5,000 kW but not more than 15,000 kW.

Customer Charge: \$1,500 per delivery point per month

Demand Charge: \$21.63 per kW of billing demand per month, plus an additional  
\$21.63 per kW per month for each kW, if any, of the amount by  
which the customer's billing demand exceeds its contract demand

Energy Charge: \$0.04983 per kWh for up to 620 hours use of metered demand per  
month

- C. This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 15,000 kW but not more than 25,000 kW.

Customer Charge: \$1,500 per delivery point per month

Demand charge: \$21.12 per kW of billing demand per month, plus an additional  
\$21.12 per kW per month for each kW, if any, of the amount by  
which the customer's billing demand exceeds its contract demand

Energy Charge: \$0.04996 per kWh for up to 620 hours use of metered demand  
per month

TOWN OF GREENEVILLE, TENNESSEE  
Schedule of Customer and Rate Data (Continued)  
Light & Power System  
June 30, 2012

- D. This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 25,000 kW.

Customer Charge: \$1,500 per delivery point per month

Demand Charge: \$24.58 per kW of billing demand per month, plus an additional  
\$24.58 per kW per month for each kW, if any, of the amount by  
which the customer's billing demand exceeds its contract demand

Energy Charge: \$0.0429 per kWh per month

TOWN OF GREENEVILLE, TENNESSEE  
Schedule of Customer and Rate Data  
Water and Light Commission  
June 30, 2012

			Hundreds of Cubic Feet of Water Consumption	Revenue	
	Water	Wastewater		Water	Wastewater
June, 2012	9,830	7,161	263,732	\$ 345,559	\$ 205,004
June, 2011	9,911	7,224	306,678	405,856	206,906
Increase (decrease)	<u>(81)</u>	<u>(63)</u>	<u>(52,467)</u>	<u>\$ (60,297)</u>	<u>\$ (1,902)</u>

The following is a schedule of water rates inside the city:

Metered Rates

First 300 cubic feet or less	\$5.46
Next 700 cubic feet	1.52 per 100 cubic feet
Next 1,000 cubic feet	1.31 per 100 cubic feet
Next 2,000 cubic feet	1.14 per 100 cubic feet
All over 11,000 cubic feet	1.01 per 100 cubic feet

Class W2 - Double Minimum - Multiple Service

First 300 cubic feet or less	\$5.46
Next 300 cubic feet	1.82
Next 1,400 cubic feet	1.52 per 100 cubic feet
Next 2,000 cubic feet	1.31 per 100 cubic feet
Next 4,000 cubic feet	1.14 per 100 cubic feet
All over 7,700 cubic feet	1.01 per 100 cubic feet

Sewer customers were charged \$2.55 per 100 cubic feet of water used plus a flat monthly charge of \$1.77 for administrative costs. Minimum sewer usage charges were \$9.42. Customers outside the city are charged an additional 100% of the basic water and sewer rates. Industrial water surcharges based on concentration and volume are assessed certain commercial customers.

These rates went into effect January 1, 2012 and are reflective of a 3% increase in water and 12% increase in sewer. Water and sewer rates were adjusted in August 2012 resulting in increases effective September 1, 2012, with increases occurring annually through year ending June 30, 2016.

All bills are subject to a 10% penalty if not paid within ten days after the due date, except that commercial users, accustomed to paying at regular intervals, are allowed to pay the net bill after the penalty dates.

TOWN OF GREENEVILLE, TENNESSEE  
Schedule of Insurance Coverage  
June 30, 2012

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
<u>Town of Greeneville</u>	
Property Insurance per Company Forms Building and structures and contents (Blanket)	\$ 24,320,136 5,000 deductible
Comprehensive General Liability	300,000/700,000/100,000 1,000,000 per occurrence for each other loss 5,000 deductible
Auto Liability	300,000/700,000/100,000 1,000,000 per occurrence for each other loss 5,000 deductible
Comprehensive	250 deductible per policy schedule
Collision	1,000 deductible per policy schedule
Public Employee Blanket Bond	100,000
City Recorder Bond	50,000
Workers' Compensation	300,000 each accident 700,000 policy limit 300,000 each employee
Equipment Floater	1,511,525 500 deductible
EDP Equipment	263,196 500 deductible
Boiler and Machinery	24,320,136 5,000 deductible
Law Enforcement Liability	300,000/700,000/100,000 1,000,000 per occurrence for each other loss 5,000 deductible
Errors and Omissions	1,000,000 per occurrence 5,000 deductible per occurrence

TOWN OF GREENEVILLE, TENNESSEE  
Schedule of Insurance Coverage (Continued)

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
<u>Board of Education</u>	
Property Coverage	
Buildings and personal property	\$ 91,191,103
Electronic data processing equipment	4,575,030
Mobile equipment	80,053
Equipment breakdown	91,271,156
Comprehensive General Liability	
General liability and personal injury liability	300,000
Bodily injury or personal injury	700,000
Other	2,000,000
Property damage	100,000
Fire damage	100,000
Impounded property	100,000
Medical per person	1,000
Medical per accident	10,000
Auto Liability	
Bodily injury or personal injury per person	300,000
Bodily injury or personal injury per occurrence	700,000
Property damage	100,000
Other	2,000,000
Public Official Liability	2,000,000
Treasurer's Bond	627,900
Workers' Compensation	
Each accident	300,000
Policy limit	700,000
Each employee	300,000

TOWN OF GREENEVILLE, TENNESSEE  
Schedule of Insurance Coverage (Continued)

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
<u>Light &amp; Power System</u>	
Property	\$ 41,351,582
General liability	250,000/750,000
Auto liability	1,000,000
Medical payments	2,000
Uninsured motorists	250,000
Workers' compensation	1,000/1,000/ 1,000,000
Excess liability	750,000/2,250,000/ 20,000,000
Public officials D&O	2,000,000
Boiler and machinery	10,000,000
Commercial crime	\$1.50 per KVA 200,000
Pollution liability	
Per accident	750,000
Aggregate	33,750,000

TOWN OF GREENEVILLE, TENNESSEE  
Schedule of Insurance Coverage (Continued)

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
<u>Water and Light Commission</u>	
Fidelity Bonds	
Public employee dishonesty coverage	\$ 100,000
Surety bond	2,500
Notary public	10,000
Property	
Blanket policy all buildings, contents and equipment less \$2,500 deductible	25,312,844
Boiler and machinery less \$2,500 deductible	25,312,844
Commercial General Liability	
Bodily injury and property damage liability Per occurrence less \$2,500 deductible Aggregate less \$2,500 deductible	2,000,000/4,000,000
Bodily injury- Each person	300,000
Bodily injury total	700,000
Property Damage	100,000
Errors and Omissions Liability	
less \$5,000 deductible	2,000,000/4,000,000
Bodily injury- Each person	300,000
Bodily injury total	700,000
Property Damage	100,000
Vehicles	
Liability	1,000,000
Medical payments:	
Per accident	10,000
Uninsured motorist:	
Bodily injury per occurrence	350,000
Comprehensive - as per schedule on policy less \$1,000 deductible	ACV
Collision - as per schedule on policy less \$1,000 deductible	ACV
Workers' Compensation and Employer's Liability	
Bodily injury by accident - each accident	500,000
Bodily injury by disease - policy limit	500,000
Bodily injury by disease - each employee	500,000
Inland marine - Contractor's equipment less \$1,000 deductible	550,608

TOWN OF GREENEVILLE, TENNESSEE  
 Schedule of Unaccounted for Water  
 Year Ended June 30, 2012

*(All amounts in gallons)*

<b>A Water Treated and Purchased:</b>		
<b>B</b>	Water Pumped (potable)	2,993,967,000
<b>C</b>	Water Purchased	0
<b>D</b>	<b>Total Water Treated and Purchased (Sum Lines B and C)</b>	2,993,967,000
<b>E Accounted for Water:</b>		
<b>F</b>	Water Sold	2,323,626,844
<b>G</b>	Metered for Consumption (in house usage)	0
<b>H</b>	Fire Department(s) Usage	307,000
<b>I</b>	Flushing	479,456
<b>J</b>	Tank Cleaning/Filling	56,084,856
<b>K</b>	Street Cleaning	57,500
<b>L</b>	Bulk Sales	0
<b>M</b>	Water Bill Adjustments	0
<b>N</b>	<b>Total Accounted for Water</b>	2,380,555,656
<b>O</b>	<b>Unaccounted for Water</b>	613,411,344
<b>P</b>	<b>Percent Unaccounted for Water</b>	20.5%
<b>Q</b>	<b>Other (explain)</b>	

Explain Other: Used for office and shop, swimming pools, and accountable line breaks 1,938,495

All amounts included in this schedule are supported by documentation on file at the Commission office. If no support is on file for a line item or if the line item is not applicable, a "0" is shown.

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 Greeneville, 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 Greeneville, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise the Town of Greeneville, Tennessee's basic financial statements and have issued our report thereon dated March 29, 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 Greeneville, Tennessee is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Greeneville, Tennessee'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 of Greeneville, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Greeneville, Tennessee's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. [see finding 12-01]. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

The Town of Greeneville, Tennessee's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Greeneville, Tennessee's response and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, federal awarding agencies and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Roderick Messer & Co, PLLC

Greeneville, Tennessee  
March 29, 2013



Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Mayor and Board of Aldermen  
Town of Greeneville, Tennessee

Compliance

We have audited the Town of Greeneville, Tennessee’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Greeneville, Tennessee’s major federal programs for the year ended June 30, 2012. The Town of Greeneville, Tennessee’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Greeneville, Tennessee’s management. Our responsibility is to express an opinion on the Town of Greeneville, Tennessee’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Greeneville, Tennessee’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Greeneville, Tennessee’s compliance with those requirements.

In our opinion, the Town of Greeneville, Tennessee, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Town of Greeneville, Tennessee is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Greeneville, Tennessee’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Greeneville, Tennessee’s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, federal awarding agencies and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Rodger Moss & Co, PLLC

Greeneville, Tennessee  
March 29, 2013



TOWN OF GREENEVILLE, TENNESSEE  
Schedule of Findings and Questioned Costs  
June 30, 2012

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Town of Greeneville, Tennessee.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The deficiency is not reported as a material weaknesses.
3. No instances of noncompliance material to the financial statements of the Town of Greeneville, Tennessee, were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Town of Greeneville, Tennessee, expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included: USDA SBP and NSLP, (10.553 and 10.555); Education Jobs Fund, (84.410); SFSF Race-to-the-Top Incentive Grants, (84.395); Disaster Grants (97.036); and Highway Planning and Construction, (20.205).
8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. The Town of Greeneville, Tennessee qualified as a high-risk auditee.
10. There were no questioned costs.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Board of Education

SIGNIFICANT DEFICIENCIES

**12-01**

Observation: The person in charge of processing payroll also has access to add employees and change pay rates.

Recommendation: The employee processing payroll should not have access to add or remove employees or change pay rates.

Management's Response: Management is working on establishing policies and procedures utilizing their current staff to mitigate the internal control risks relating to payroll.

All prior year audit findings were corrected in the current year.

C. FINDINGS - MAJOR FEDERAL PROGRAM AWARDS AUDIT

None