

TOWN OF GREENEVILLE, TENNESSEE
Financial Statements and Supplementary Information
Year Ended June 30, 2013

TOWN OF GREENEVILLE, TENNESSEE
 Financial Statements and Supplementary Information
 June 30, 2013

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Financial Statements and Supplementary Information (Continued)

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TOWN OF GREENEVILLE, TENNESSEE
Roster of Officials and Board Members
June 30, 2013

Officials

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

City Administrator
Recorder
Mayor

Board Members

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

Independent Auditors' Report

Mayor and Board of Aldermen
Town of Greeneville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Greeneville, Tennessee (the "Town"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2013, and the respective changes in financial position, and 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of retirement plan funding progress, and the 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.

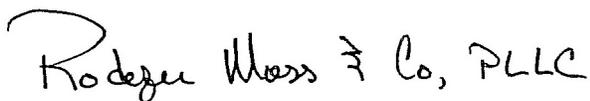
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. 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 basic financial statements. The 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 basic financial statements.

The combining and individual nonmajor fund financial statements, the supplementary information, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 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* in considering the Town's internal control over financial reporting and compliance.



Greeneville, Tennessee
December 23, 2013

TOWN OF GREENEVILLE, TENNESSEE
Management's Discussion and Analysis
June 30, 2013

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, 2013. 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 and deferred inflows at the close of the most recent fiscal year by \$158,528,215 (net position). Of this amount, \$40,453,606 may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net position).
- While the net position of the Town's business-type activities increased by \$3,887,376, the net position of the Town's governmental activities also increased by \$771,391.
- At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$14,639,253, a decrease of \$556,283 from the prior year. Of this amount, \$173,829 is nonspendable, \$1,570,717 is restricted, \$117,719 is committed for specific purposes, and \$6,588,359 is assigned. The remaining amount of \$6,188,629 is unrestricted and available for spending at the discretion of the Town.
- At the close of the current fiscal year, the general fund reported a fund balance of \$9,467,617, or 44% of total general fund expenditures including transfers out. This balance includes \$94,098 of nonspendable funds, \$3,756 of restricted funds, \$117,719 committed for specific purposes, and \$2,904,202 assigned. The remaining amount of \$6,347,842 is unrestricted and available for spending at the discretion of the Town.
- The Town's total outstanding long-term debt increased by \$490,639 (2%) during the current fiscal year, as detailed in Note 4 and Note 5 of the notes to the financial statements.

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

Statement of Activities – presents information showing how the Town's net position 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 and multiple special revenue funds 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 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 and the general purpose school fund, 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 Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities and deferred inflows by \$158,528,215 at the close of the most recent fiscal year. The largest portion of the Town's net position (73%) reflects its net 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 \$40 million of unrestricted net position 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 position: 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 Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 28,158	\$ 29,512	\$ 46,891	\$ 44,307	\$ 75,049	\$ 73,819
Capital assets	<u>46,085</u>	<u>45,807</u>	<u>95,100</u>	<u>93,115</u>	<u>141,185</u>	<u>138,922</u>
Total assets	<u>74,243</u>	<u>75,319</u>	<u>141,991</u>	<u>137,422</u>	<u>216,234</u>	<u>212,741</u>
Long-term debt outstanding	24,739	25,967	9,300	-	34,039	25,967
Other liabilities	<u>3,754</u>	<u>4,572</u>	<u>10,591</u>	<u>19,010</u>	<u>14,345</u>	<u>23,582</u>
Total liabilities	<u>28,493</u>	<u>30,539</u>	<u>19,891</u>	<u>19,010</u>	<u>48,384</u>	<u>49,549</u>
Deferred Inflows of Resources	<u>9,036</u>	<u>8,837</u>	<u>287</u>	<u>487</u>	<u>9,323</u>	<u>9,324</u>
Net investment in capital assets	21,328	20,476	95,100	93,115	116,428	113,591
Restricted	1,646	-	-	-	1,646	-
Unrestricted	<u>13,740</u>	<u>15,467</u>	<u>26,713</u>	<u>24,811</u>	<u>40,453</u>	<u>40,278</u>
Total net position	<u>\$ 36,714</u>	<u>\$ 35,943</u>	<u>\$ 121,813</u>	<u>\$ 117,926</u>	<u>\$ 158,527</u>	<u>\$ 153,869</u>

Changes in Net Position

Net position of the governmental activities of the Town increased 2% to approximately \$36.7 million. Of that balance, \$21.3 million is invested in capital assets (buildings, land, equipment, etc.) and \$1.6 million is restricted. Therefore, \$13.7 million remains to meet the Town's ongoing obligations to citizens and creditors.

During the same period, the net position of the business-type activities increased 3% to \$122 million. However, the Town generally can only use this net position 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, 2013:

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

Town of Greeneville's Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues						
Program revenues						
Charges for services	\$ 3,904	\$ 4,132	\$ 108,310	\$ 106,818	\$ 112,214	\$ 110,950
Grants	19,340	20,025	-	-	19,340	20,025
General revenues						
Local taxes	21,500	20,835	-	-	21,500	20,835
Intergovernmental revenues	1,216	1,142	-	-	1,216	1,142
Investment income	80	79	102	132	182	211
Total revenues	<u>\$ 46,040</u>	<u>\$ 46,213</u>	<u>\$ 108,412</u>	<u>\$ 106,950</u>	<u>\$ 154,452</u>	<u>\$ 153,163</u>
Expenses						
Governmental activities						
General government	1,183	1,103	-	-	1,183	1,103
Education	26,939	26,627	-	-	26,939	26,627
Public safety	5,376	5,277	-	-	5,376	5,277
Public works	3,305	4,587	-	-	3,305	4,587
Community development	448	957	-	-	448	957
Public enterprises	31	-	-	-	31	-
Health and welfare	1,528	1,578	-	-	1,528	1,578
Debt service	1,397	1,442	-	-	1,397	1,442
Food service	1,533	1,436	-	-	1,533	1,436
Other	3,529	3,803	-	-	3,529	3,803
Business-type activities						
Light & Power System	-	-	97,095	98,012	97,095	98,012
Water and Light Commission	-	-	7,430	7,314	7,430	7,314
Total expenses	<u>45,269</u>	<u>46,810</u>	<u>104,525</u>	<u>105,326</u>	<u>149,794</u>	<u>152,136</u>
Increase (decrease) in net position	<u>\$ 771</u>	<u>\$ (597)</u>	<u>\$ 3,887</u>	<u>\$ 1,624</u>	<u>\$ 4,658</u>	<u>\$ 1,027</u>

Governmental Activities

Current fiscal year revenues for the governmental activities of the Town were \$46 million while the same period expenses were \$45.3 million. The single largest source of governmental activity revenue, property taxes, accounted for \$11 million of total local taxes, while local sales tax and other local taxes comprised \$10.5 million. The largest portion of intergovernmental revenues was state funds for education, which comprised \$14.9 million of the total. The single largest expenditure was education at \$26.9 million.

Business-type Activities

Revenues for the business-type activities of the Town were \$108 million for the fiscal year, an increase of \$1.5 million, or 1.3%. Additionally, the same period saw a \$.8 million, or .76%, decrease in expenses to \$104.5 million.

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

- The largest source of business-type activity revenue is generated from the Greeneville Light & Power System. During the current fiscal year, sales of electricity increased 1% to \$97.3 million. Operating expenses, however, decreased 1% to \$95.9 million. Purchased power accounted for a \$1.3 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 24% over the prior fiscal year, while operating expenses increased only minimally, by approximately 1.6%.

Operating Revenues and Expenses - Business-type Activities
(in thousands)

	Light & Power System		Water and Light Commission		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues	\$ 99,941	\$ 100,014	\$ 8,472	\$ 6,802	\$ 108,413	\$ 106,816
Expenses	<u>97,095</u>	<u>96,869</u>	<u>7,431</u>	<u>7,314</u>	<u>104,526</u>	<u>104,183</u>
Net operating income	<u>\$ 2,846</u>	<u>\$ 3,145</u>	<u>\$ 1,041</u>	<u>\$ (512)</u>	<u>\$ 3,887</u>	<u>\$ 2,633</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 \$14.6 million. Approximately 42% of this amount (\$6.2 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 \$9.5 million. Of this amount, \$6.3 million (or 67%) was unassigned. Total fund balance of the general fund decreased \$100,000, or 1%, 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 \$3.5 million. Total fund balance of the general purpose school fund decreased \$203,000, or 5.5%, during the fiscal year.

Proprietary Funds

As the Town completed the fiscal year, its proprietary funds, which include two enterprise funds, had a combined net position of \$122 million. Of this amount, \$26.7 million was available to meet on-going obligations, with the majority, \$95.1 million, invested in capital assets.

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

Light & Power System – Net position of the Light & Power System increased \$2.8 million for a total of \$87.8 million at the close of the current fiscal year.

Water and Light Commission – Net position of the Water and Light Commission increased \$1 million for a total of \$34 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 \$548,607 increase in capital outlay. This increase in budgeted expenditures was funded by an increase in budgeted intergovernmental revenues, charges for services, and other revenues.

Final Amended Budget and Actual Amounts – Differences between the final amended budget and actual results for the general fund represent a \$114,027 decrease. This decrease can be attributed to greater than anticipated capital outlay.

Capital Asset and Debt Administration

Capital Assets

At the end of the current fiscal year, the Town had \$141 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's Capital Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land and land rights	\$ 4,283	\$ 4,325	\$ 2,250	\$ 2,251	\$ 6,533	\$ 6,576
Buildings and improvements	64,593	63,591	34,955	34,568	99,548	98,159
Infrastructure	47,648	47,648	-	-	47,648	47,648
Equipment	15,080	14,846	136,410	131,675	151,490	146,521
Construction in progress	1,530	148	2,536	1,145	4,066	1,293
Less accumulated depreciation	<u>(87,049)</u>	<u>(84,751)</u>	<u>(81,051)</u>	<u>(76,524)</u>	<u>(168,100)</u>	<u>(161,275)</u>
	<u>\$ 46,085</u>	<u>\$ 45,807</u>	<u>\$ 95,100</u>	<u>\$ 93,115</u>	<u>\$ 141,185</u>	<u>\$ 138,922</u>

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

Debt

At the end of the current fiscal year, the Town had \$33.2 million in long-term debt outstanding, a 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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Notes payable	\$ 23,175	\$ 23,540	\$ -	\$ -	\$ 23,175	\$ 23,540
General obligation bonds	975	1,115	-	-	975	1,115
Capital leases	23	61	-	-	23	61
TVA home insulation program	-	-	2,111	2,009	2,111	2,009
Other post employment benefits	367	425	5,045	4,095	5,412	4,520
Compensated absences	596	558	764	716	1,360	1,274
Retirement incentive	152	199	-	-	152	199
Due for easements	-	-	38	38	38	38
Total long-term debt	<u>\$ 25,288</u>	<u>\$ 25,898</u>	<u>\$ 7,958</u>	<u>\$ 6,858</u>	<u>\$ 33,246</u>	<u>\$ 32,756</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 Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,931,907	\$ 24,083,320	\$ 30,015,227
Certificates of deposit	3,263,759	7,155,000	10,418,759
Investments	-	83,166	83,166
Receivables (net of allowance for uncollectibles)			
Taxes	9,011,351	-	9,011,351
Accounts	776,223	7,444,749	8,220,972
Other	-	2,974,775	2,974,775
Due from other governments	6,639,417	-	6,639,417
Inventory	79,731	1,796,102	1,875,833
Prepaid expenses	94,098	425,942	520,040
Restricted assets			
Cash and cash equivalents	-	251,821	251,821
Self-insurance certificate of deposits	2,251,934	-	2,251,934
Self-insurance investments	110,097	-	110,097
Industrial Park fund receivable	-	618,179	618,179
TVA Home Insulation Program receivable	-	2,058,355	2,058,355
Capital assets			
Land	4,283,277	2,250,589	6,533,866
Construction in progress	1,530,378	2,536,163	4,066,541
Buildings and improvements	64,592,681	34,954,647	99,547,328
Equipment and vehicles	15,079,473	136,409,569	151,489,042
Infrastructure	47,647,803	-	47,647,803
Less: accumulated depreciation	<u>(87,048,782)</u>	<u>(81,051,249)</u>	<u>(168,100,031)</u>
Total capital assets	<u>46,084,830</u>	<u>95,099,719</u>	<u>141,184,549</u>
Total assets	<u>\$ 74,243,347</u>	<u>\$ 141,991,128</u>	<u>\$ 216,234,475</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Net Position (Continued)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable	\$ 1,604,048	\$ 1,370,855	\$ 2,974,903
Due to TVA for power invoice	-	6,795,875	6,795,875
Accrued expenses	1,315,439	1,118,724	2,434,163
Due to other governmental units	200,433	-	200,433
Other	-	15,000	15,000
Interest payable	84,333	-	84,333
Capital lease	4,362	-	4,362
Current portion of bonds and notes	545,000	-	545,000
Noncurrent liabilities			
Capital lease	19,231	-	19,231
Bonds and notes	23,605,000	-	23,605,000
Compensated absences and retirement incentive	747,861	763,527	1,511,388
Other post employment benefits	366,975	5,044,685	5,411,660
Customer deposits	-	2,632,754	2,632,754
TVA home insulation program	-	2,111,368	2,111,368
Amounts due for easements purchased	-	38,375	38,375
Total liabilities	<u>28,492,682</u>	<u>19,891,163</u>	<u>48,383,845</u>
DEFERRED INFLOWS OF RESOURCES			
Unamortized premium on notes payable	583,039	-	583,039
Deferred revenues	<u>8,452,722</u>	<u>286,654</u>	<u>8,739,376</u>
Total deferred inflows of resources	<u>9,035,761</u>	<u>286,654</u>	<u>9,322,415</u>
NET POSITION			
Net investment in capital assets	21,328,198	95,099,719	116,427,917
Restricted for:			
State Street Aid	1,133,244	-	1,133,244
School Nutrition	513,448	-	513,448
Unrestricted	<u>13,740,014</u>	<u>26,713,592</u>	<u>40,453,606</u>
Total net position	<u>\$ 36,714,904</u>	<u>\$ 121,813,311</u>	<u>\$ 158,528,215</u>

TOWN OF GREENEVILLE, TENNESSEE

Statement of Activities

Year Ended June 30, 2013

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Primary Government						
Governmental activities						
General government	\$ 1,183,276	\$ 718,454	\$ 2,201,246	\$ 1,736,424	\$ -	\$ 1,736,424
Public enterprises	30,380	-	-	(30,380)	-	(30,380)
Community development	448,320	-	689,405	241,085	-	241,085
Health and welfare	1,528,103	261,833	92,746	(1,173,524)	-	(1,173,524)
Food service	1,533,296	501,207	935,845	(96,244)	-	(96,244)
Public works	3,304,866	1,055,521	555,488	(1,693,857)	-	(1,693,857)
Debt service	1,396,973	-	-	(1,396,973)	-	(1,396,973)
Other	3,529,088	-	-	(3,529,088)	-	(3,529,088)
Public safety	5,375,884	525,339	-	(4,850,545)	-	(4,850,545)
Education	26,939,256	841,654	14,865,922	(11,231,680)	-	(11,231,680)
Total governmental activities	<u>45,269,442</u>	<u>3,904,008</u>	<u>19,340,652</u>	<u>(22,024,782)</u>	<u>-</u>	<u>(22,024,782)</u>
Business-type activities						
Light & Power	95,879,077	99,870,049	-	-	3,990,972	3,990,972
Water and Light Commission	7,430,399	8,440,415	-	-	1,010,016	1,010,016
Total business-type activities	<u>103,309,476</u>	<u>108,310,464</u>	<u>-</u>	<u>-</u>	<u>5,000,988</u>	<u>5,000,988</u>
Total primary government	<u>\$ 148,578,918</u>	<u>\$ 112,214,472</u>	<u>\$ 19,340,652</u>	<u>(22,024,782)</u>	<u>5,000,988</u>	<u>(17,023,794)</u>
General revenues and transfers						
Local taxes						
Property taxes				10,997,036	-	10,997,036
Sales taxes				8,607,265	-	8,607,265
Other taxes				1,895,446	-	1,895,446
Unrestricted investment earnings				80,526	102,288	182,814
Transfers				1,215,900	(1,215,900)	-
Total general revenues and transfers				<u>22,796,173</u>	<u>(1,113,612)</u>	<u>21,682,561</u>
Change in net position				771,391	3,887,376	4,658,767
Net position at the beginning of the year, restated				<u>35,943,513</u>	<u>117,925,935</u>	<u>153,869,448</u>
Net position at the end of the year				<u>\$ 36,714,904</u>	<u>\$ 121,813,311</u>	<u>\$ 158,528,215</u>

TOWN OF GREENEVILLE, TENNESSEE
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 303,432	\$ 3,981,061	\$ 1,647,414	\$ 5,931,907
Certificates of deposit	3,040,621	-	223,138	3,263,759
Receivables, net				
Taxes	9,011,351	-	-	9,011,351
Accounts	536,468	148,662	91,093	776,223
Due from other governmental units	4,760,514	997,691	881,212	6,639,417
Inventory	-	-	79,731	79,731
Prepaid expenses	94,098	-	-	94,098
Restricted assets				
Self-insurance certificate of deposits	2,251,934	-	-	2,251,934
Self-insurance investments	110,097	-	-	110,097
	<u>\$ 20,108,515</u>	<u>\$ 5,127,414</u>	<u>\$ 2,922,588</u>	<u>\$ 28,158,517</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 178,374	\$ 645,266	\$ 780,408	\$ 1,604,048
Accrued liabilities	277,254	1,024,912	13,273	1,315,439
Due to other governmental units	200,433	-	-	200,433
Deferred revenue - other	801,444	-	414,507	1,215,951
Deferred revenue - taxes	9,183,393	-	-	9,183,393
	<u>10,640,898</u>	<u>1,670,178</u>	<u>1,208,188</u>	<u>13,519,264</u>
Fund balances				
Nonspendable	94,098	-	79,731	173,829
Restricted	3,756	-	1,566,961	1,570,717
Committed	117,719	-	-	117,719
Assigned	2,904,202	3,457,236	226,921	6,588,359
Unassigned	6,347,842	-	(159,213)	6,188,629
	<u>9,467,617</u>	<u>3,457,236</u>	<u>1,714,400</u>	<u>14,639,253</u>
Total liabilities and fund balances	<u>\$ 20,108,515</u>	<u>\$ 5,127,414</u>	<u>\$ 2,922,588</u>	<u>\$ 28,158,517</u>

TOWN OF GREENEVILLE, TENNESSEE
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2013

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

Total fund balances of governmental funds	\$ 14,639,253
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	46,084,830
Revenues for amounts not received during the period of availability is not considered "available" and has been deferred in the funds.	1,946,622
Other post-employment benefits represent liabilities of the Town that are not recorded at the fund level.	(366,975)
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	(549,362)
Due in more than one year	(24,372,092)
Unamortized premiums paid on notes payable are not reported in the current period and, therefore, they are not reported in the governmental funds balance sheet	(583,039)
	<u>\$ 36,714,904</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013

	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Local taxes	\$ 16,379,560	\$ 5,112,066	\$ -	\$ 21,491,626
Intergovernmental revenues	2,097,078	12,804,980	3,500,796	18,402,854
Charges for services	1,344,613	743,381	1,153,794	3,241,788
Food service	-	-	501,252	501,252
Other revenues	73,607	305,367	94,337	473,311
Fines, fees, and costs	124,872	-	-	124,872
Interest income	73,655	4,515	2,356	80,526
Licenses and permits	89,896	-	-	89,896
Use of property	1,200	-	-	1,200
Total revenues	<u>20,184,481</u>	<u>18,970,309</u>	<u>5,252,535</u>	<u>44,407,325</u>
Expenditures				
Education	-	24,362,473	1,932,546	26,295,019
Debt service	1,395,724	538,355	-	1,934,079
Public safety	5,148,249	-	-	5,148,249
Public works	1,563,673	-	2,077,064	3,640,737
Other expenditures	3,481,104	-	-	3,481,104
Health and welfare	1,404,546	-	-	1,404,546
Food service	-	-	1,533,296	1,533,296
General government	663,696	-	-	663,696
Capital outlay	1,735,241	-	-	1,735,241
Community development	-	-	363,641	363,641
Public enterprises	30,380	-	-	30,380
Total expenditures	<u>15,422,613</u>	<u>24,900,828</u>	<u>5,906,547</u>	<u>46,229,988</u>
Excess of revenues over/(under) expenditures	<u>4,761,868</u>	<u>(5,930,519)</u>	<u>(654,012)</u>	<u>(1,822,663)</u>
Other financing sources (uses)				
Operating transfers in	1,215,900	5,727,663	414,612	7,358,175
Operating transfers out	(6,091,795)	-	-	(6,091,795)
Total other financing sources (uses)	<u>(4,875,895)</u>	<u>5,727,663</u>	<u>414,612</u>	<u>1,266,380</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (114,027)</u>	<u>\$ (202,856)</u>	<u>\$ (239,400)</u>	<u>\$ (556,283)</u>

(Continued)

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds

	<u>General Fund</u>	<u>General Purpose School Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ (114,027)	\$ (202,856)	\$ (239,400)	\$ (556,283)
Fund balance, July 1, 2012	<u>9,581,644</u>	<u>3,660,092</u>	<u>1,953,800</u>	<u>15,195,536</u>
Fund balance, June 30, 2013	<u>\$ 9,467,617</u>	<u>\$ 3,457,236</u>	<u>\$ 1,714,400</u>	<u>\$ 14,639,253</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, 2013

Net change in fund balances - total governmental funds \$ (556,283)

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 capital outlay (\$2,912,594) exceeded depreciation (\$2,593,253) in the current period. 319,341

In the statement of activities, the net gain (loss) on the sale/disposal of capital assets is reported, whereas in the governmental funds, only the proceeds from the sale of capital assets is recorded as a financial resource. Thus, the change in net position differs from the change in fund balance by the cost of the asset. (41,575)

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. 408,702

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. 8,764

Expenses for other post employment benefits do not require the use of current financial resources, therefore, it is not reported as an expenditure in the governmental funds. 57,954

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 position. 574,488

Change in net position of governmental activities \$ 771,391

TOWN OF GREENEVILLE, TENNESSEE
Statement of Net Position
Proprietary Funds
June 30, 2013

	Light & Power System	Water and Light Commission	Total Proprietary Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 14,883,029	\$ 9,200,291	\$ 24,083,320
Accounts receivable, net	6,871,613	573,136	7,444,749
Unbilled revenues	2,546,486	-	2,546,486
Grants receivable	327,307	1,260	328,567
Materials and supplies	1,466,179	329,923	1,796,102
Prepaid expenses	217,586	208,356	425,942
Other receivables	-	87,784	87,784
Investment interest receivable	11,938	-	11,938
Short-term investments	-	83,166	83,166
	<u>26,324,138</u>	<u>10,483,916</u>	<u>36,808,054</u>
Total current assets			
Other assets			
Certificates of deposit	7,155,000	-	7,155,000
Designated funds			
Industrial Park fund cash	251,821	-	251,821
Industrial Park fund receivable	618,179	-	618,179
TVA Home Insulation Program accounts receivable	2,058,355	-	2,058,355
Capital assets, net	68,264,877	24,298,679	92,563,556
Construction in progress	2,415,170	120,993	2,536,163
	<u>80,763,402</u>	<u>24,419,672</u>	<u>105,183,074</u>
Total other assets			
Total assets	<u>\$ 107,087,540</u>	<u>\$ 34,903,588</u>	<u>\$ 141,991,128</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Net Position (Continued)
Proprietary Funds

	Light & Power System	Water and Light Commission	Total Proprietary Funds
LIABILITIES			
Current liabilities (payable from current assets)			
Accounts payable	\$ 1,204,582	\$ 166,273	\$ 1,370,855
Accrued tree trimming	291,786	-	291,786
Due to TVA for power invoice	6,795,875	-	6,795,875
Accrued wages and other accrued liabilities	497,090	329,848	826,938
	8,789,333	496,121	9,285,454
Current liabilities (payable from restricted cash)			
Construction bonds held	-	15,000	15,000
	-	15,000	15,000
Total current liabilities	8,789,333	511,121	9,300,454
Long-term liabilities			
Accrued sick leave	763,527	-	763,527
Net OPEB obligation	5,044,685	-	5,044,685
Customer deposits	2,329,361	303,393	2,632,754
TVA home insulation program	2,111,368	-	2,111,368
Amounts due for easements purchased	-	38,375	38,375
Total long-term liabilities	10,248,941	341,768	10,590,709
Total liabilities	19,038,274	852,889	19,891,163
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	286,654	-	286,654
Total deferred inflows of resources	286,654	-	286,654
NET POSITION			
Net investment in capital assets	70,680,047	24,419,672	95,099,719
Unrestricted	17,082,565	9,631,027	26,713,592
Total net position	\$ 87,762,612	\$ 34,050,699	\$ 121,813,311

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2013

	Light & Power System	Water and Light Commission	Total Proprietary Funds
Operating Revenue			
Sales	\$ 97,293,496	\$ 8,439,155	\$ 105,732,651
Other operating	<u>2,515,179</u>	<u>-</u>	<u>2,515,179</u>
Total operating revenues	<u>99,808,675</u>	<u>8,439,155</u>	<u>108,247,830</u>
Operating Expenses			
Purchased power	79,343,019	-	79,343,019
Distribution expense	3,980,746	-	3,980,746
Provision for depreciation	3,690,508	1,434,956	5,125,464
Other	-	4,003,312	4,003,312
Administrative and general expenses	1,839,285	1,992,131	3,831,416
Maintenance of distribution facilities	3,980,927	-	3,980,927
Customer accounts expense	2,355,393	-	2,355,393
Payments in lieu of taxes	353,003	-	353,003
Sales expense	131,115	-	131,115
Transmission expense	113,164	-	113,164
Maintenance of general plant	87,556	-	87,556
Interest expense	<u>4,361</u>	<u>-</u>	<u>4,361</u>
Total operating expenses	<u>95,879,077</u>	<u>7,430,399</u>	<u>103,309,476</u>
Operating income	<u>3,929,598</u>	<u>1,008,756</u>	<u>4,938,354</u>
Other Income			
Interest income	70,873	31,415	102,288
Gain on disposal	7,608	-	7,608
Other	<u>53,766</u>	<u>1,260</u>	<u>55,026</u>
Total other income	<u>132,247</u>	<u>32,675</u>	<u>164,922</u>
Transfers out			
Payments in lieu of tax	<u>(1,215,900)</u>	<u>-</u>	<u>(1,215,900)</u>
Changes in net position	2,845,945	1,041,431	3,887,376
Net position as of July 1, 2012	<u>84,916,667</u>	<u>33,009,268</u>	<u>117,925,935</u>
Net position as of June 30, 2013	<u>\$ 87,762,612</u>	<u>\$ 34,050,699</u>	<u>\$ 121,813,311</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013

	Light & Power System	Water and Light Commission	Total Proprietary Funds
Cash Flows From Operating Activities			
Cash receipts from customers	\$ 100,150,121	\$ 8,227,119	\$ 108,377,240
Cash paid to suppliers	(85,480,043)	(3,980,153)	(89,460,196)
Cash paid to employees	<u>(6,100,959)</u>	<u>(2,062,387)</u>	<u>(8,163,346)</u>
Net cash flows from operating activities	<u>8,569,119</u>	<u>2,184,579</u>	<u>10,753,698</u>
Cash Flows From Noncapital Financing Activities			
Increase in Home Insulation Program receivables	(89,110)	-	(89,110)
Increase in Home Insulation Program liabilities	102,143	-	102,143
Transfers, in lieu of taxes	<u>(1,215,900)</u>	<u>-</u>	<u>(1,215,900)</u>
Net cash flows from noncapital financing activities	<u>(1,202,867)</u>	<u>-</u>	<u>(1,202,867)</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(6,676,648)	(610,735)	(7,287,383)
Grants from federal and state sources	-	1,260	1,260
Proceeds from sale of capital assets	10,312	-	10,312
Excess removal cost of plant	(166,493)	-	(166,493)
Net revenues from merchandising and jobbing	<u>53,766</u>	<u>-</u>	<u>53,766</u>
Net cash flows from capital and related financing activities	<u>(6,779,063)</u>	<u>(609,475)</u>	<u>(7,388,538)</u>
Cash Flows From Investing Activities			
Purchase of certificates of deposit	(7,155,000)	-	(7,155,000)
Maturities of certificates of deposit	4,474,000	-	4,474,000
(Increase) decrease in investments	150,000	(178)	149,822
Interest on investments	<u>110,032</u>	<u>31,415</u>	<u>141,447</u>
Net cash flows from investing activities	<u>(2,420,968)</u>	<u>31,237</u>	<u>(2,389,731)</u>
Net change in cash and cash equivalents	(1,833,779)	1,606,341	(227,438)
Cash and cash equivalents at the beginning of the year	<u>16,968,629</u>	<u>7,593,950</u>	<u>24,562,579</u>
Cash and cash equivalents at the end of the year	<u>\$ 15,134,850</u>	<u>\$ 9,200,291</u>	<u>\$ 24,335,141</u>

(Continued)

TOWN OF GREENEVILLE, TENNESSEE
Statement of Cash Flows (Continued)
Proprietary Funds

	Light & Power System	Water and Light Commission	Total Proprietary Funds
Cash Flows From Operating Activities			
Operating income	\$ 3,929,598	\$ 1,008,756	\$ 4,938,354
Adjustments to reconcile operating income to net cash provided by operating activities income			
Depreciation	4,031,374	1,434,956	5,466,330
Provision for bad debt	77,751	3,335	81,086
Changes in operating assets and liabilities			
(Increase) decrease in:			
Accounts receivable	(451,449)	(221,109)	(672,558)
Unbilled revenue	269,956	-	269,956
Materials and supplies	209,339	(33,457)	175,882
Prepaid expenses	(49,677)	(35,069)	(84,746)
Increase (decrease) in:			
Accounts payable	296,227	25,181	321,408
Due to TVA for power and accrued liabilities	(110,857)	-	(110,857)
Other payables and accrued expenses	(78,331)	(3,741)	(82,072)
Customer deposits	445,188	5,727	450,915
Net cash flows from operating activities	\$ 8,569,119	\$ 2,184,579	\$ 10,753,698

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2013

	<u>GAAP Budgeted Amounts</u>		<u>GAAP Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Budgetary Fund Balance, July 1, 2012	\$ 9,581,644	\$ 9,581,644	\$ 9,581,644	\$ -
Revenues				
Local taxes	16,663,854	16,663,854	16,379,560	(284,294)
Intergovernmental revenues	1,725,531	2,150,531	2,097,078	(53,453)
Charges for services	1,294,500	1,344,500	1,344,613	113
Licenses and permits	73,500	73,500	89,896	16,396
Use of property	4,800	4,800	1,200	(3,600)
Fines, fees, and costs	131,000	131,000	124,872	(6,128)
Other revenue	-	73,607	73,607	-
Interest income	50,000	50,000	73,655	23,655
Total revenues	<u>29,524,829</u>	<u>30,073,436</u>	<u>29,766,125</u>	<u>(307,311)</u>
Expenditures				
General government				
Mayor and Alderman	16,450	16,450	15,059	1,391
Municipal court	5,000	5,000	5,042	(42)
Election commission	12,300	12,300	8,511	3,789
Administrator	190,100	190,100	169,376	20,724
Recorder's office	134,253	134,253	124,179	10,074
Accounting	231,194	231,194	216,439	14,755
Human resources	63,900	63,900	53,921	9,979
Professional accounting service	47,000	47,000	45,400	1,600
Planning commission	14,750	14,750	13,438	1,312
First Tennessee Development District	3,823	3,823	5,490	(1,667)
Civil service board	4,000	4,000	6,841	(2,841)
Total general government	<u>722,770</u>	<u>722,770</u>	<u>663,696</u>	<u>59,074</u>
Public safety				
Police department	2,818,386	2,818,386	2,765,719	52,667
Fire department	2,183,065	2,183,065	2,163,730	19,335
Building inspector	120,110	120,110	88,549	31,561
Emergency services	40,000	40,000	40,000	-
Civil defense	88,000	88,000	90,251	(2,251)
Total public safety	<u>5,249,561</u>	<u>5,249,561</u>	<u>5,148,249</u>	<u>101,312</u>
Public works				
Street clean	410,371	410,371	299,850	110,521
Street repair	473,307	473,307	431,591	41,716
Street signs	127,995	127,995	120,777	7,218
Street lighting	366,500	366,500	364,326	2,174
Garage	310,497	310,497	293,146	17,351
Town hall maintenance	57,378	57,378	53,983	3,395
Total public works	<u>1,746,048</u>	<u>1,746,048</u>	<u>1,563,673</u>	<u>182,375</u>
Total expenditures this page	<u>\$ 7,718,379</u>	<u>\$ 7,718,379</u>	<u>\$ 7,375,618</u>	<u>\$ 342,761</u>

(Continued)

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

	<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	\$ 43,350	\$ 4,650
Neighborhood	14,750	14,750	15,880	(1,130)
Other	1,500	1,500	748	752
Roby Center	337,966	337,966	280,810	57,156
Recreation	278,796	278,796	261,708	17,088
Pools	81,050	81,050	77,772	3,278
Health	105,000	105,000	97,798	7,202
Appropriations	104,500	104,500	104,500	-
Athletics	555,482	555,482	521,980	33,502
Total health and welfare	<u>1,527,044</u>	<u>1,527,044</u>	<u>1,404,546</u>	<u>122,498</u>
Public enterprise				
Appropriations	<u>30,380</u>	<u>30,380</u>	<u>30,380</u>	<u>-</u>
Capital outlay	<u>682,134</u>	<u>1,230,741</u>	<u>1,735,241</u>	<u>(504,500)</u>
Other expenditures				
Administration	<u>3,601,200</u>	<u>3,601,200</u>	<u>3,481,104</u>	<u>120,096</u>
Debt Service				
Principal	505,000	505,000	505,000	-
Interest	889,211	889,211	889,211	-
Fees	<u>3,000</u>	<u>3,000</u>	<u>1,513</u>	<u>1,487</u>
Total debt service	<u>1,397,211</u>	<u>1,397,211</u>	<u>1,395,724</u>	<u>1,487</u>
Total expenditures	<u>14,956,348</u>	<u>15,504,955</u>	<u>15,422,613</u>	<u>82,342</u>
Excess of revenues over expenditures	<u>14,568,481</u>	<u>14,568,481</u>	<u>14,343,512</u>	<u>(224,969)</u>
Other financing sources (uses)				
Operating transfers in	1,104,170	1,104,170	1,215,900	111,730
Operating transfers out	<u>(6,091,007)</u>	<u>(6,091,007)</u>	<u>(6,091,795)</u>	<u>(788)</u>
Total other financing sources (uses)	<u>(4,986,837)</u>	<u>(4,986,837)</u>	<u>(4,875,895)</u>	<u>110,942</u>
Fund balance, June 30, 2013	<u>\$ 9,581,644</u>	<u>\$ 9,581,644</u>	<u>\$ 9,467,617</u>	<u>\$ (114,027)</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, 2013

	<u>GAAP Budgeted Amounts</u>		GAAP Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 3,660,092	\$ 3,660,092	\$ 3,660,092	\$ -
Resources				
State of Tennessee	11,841,167	12,007,346	12,348,085	340,739
Federal funds through state	392,842	482,091	377,424	(104,667)
Direct federal funds	104,748	91,648	79,471	(12,177)
Local taxes	4,531,084	5,054,056	5,112,066	58,010
Charges for current services	772,000	744,000	743,381	(619)
Investment income	10,000	10,000	4,515	(5,485)
Other local revenue	<u>223,000</u>	<u>203,000</u>	<u>305,367</u>	<u>102,367</u>
Amounts available for appropriation	<u>21,534,933</u>	<u>22,252,233</u>	<u>22,630,401</u>	<u>378,168</u>
Expenditures				
Instruction				
Salaries	11,472,400	11,368,697	11,185,685	183,012
Employee benefits	3,617,156	3,603,580	3,726,939	(123,359)
Contracted services	320,602	393,602	426,531	(32,929)
Fee waivers	25,000	25,000	25,000	-
Equipment	47,665	283,365	454,444	(171,079)
Materials and supplies	317,656	312,656	256,932	55,724
Textbooks	101,250	101,250	147,254	(46,004)
Staff development	116,500	106,500	107,510	(1,010)
Travel	28,495	28,495	32,867	(4,372)
Other	<u>21,245</u>	<u>20,920</u>	<u>46,129</u>	<u>(25,209)</u>
Total instruction	<u>16,067,969</u>	<u>16,244,065</u>	<u>16,409,291</u>	<u>(165,226)</u>
Technology				
Equipment	81,105	179,573	192,729	(13,156)
Staff development	2,500	2,500	6,796	(4,296)
Maintenance and repairs	31,400	31,400	9,898	21,502
Other	<u>137,595</u>	<u>137,595</u>	<u>131,602</u>	<u>5,993</u>
Total technology	<u>252,600</u>	<u>351,068</u>	<u>341,025</u>	<u>10,043</u>
Greene Technology Center	<u>80,400</u>	<u>80,400</u>	<u>80,400</u>	<u>-</u>
Student support services				
Salaries	558,491	572,157	571,912	245
Employee benefits	170,975	164,894	164,397	497
Evaluation and testing	<u>40,672</u>	<u>28,672</u>	<u>28,181</u>	<u>491</u>
Total student support services	<u>770,138</u>	<u>765,723</u>	<u>764,490</u>	<u>1,233</u>
Total expenditures this page	<u>\$ 17,171,107</u>	<u>\$ 17,441,256</u>	<u>\$ 17,595,206</u>	<u>\$ (153,950)</u>

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

	<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	\$ 1,860	\$ 1,860	\$ -	\$ 1,860
Insurance	164,808	164,808	148,912	15,896
Audit and legal services	44,744	44,744	62,777	(18,033)
Contracted services	22,000	22,000	25,791	(3,791)
Trustee commissions	73,422	85,322	77,182	8,140
Travel	15,000	15,000	10,236	4,764
Dues and memberships	12,525	12,525	9,507	3,018
Other	<u>17,000</u>	<u>17,000</u>	<u>36,690</u>	<u>(19,690)</u>
Total board of education	<u>351,359</u>	<u>363,259</u>	<u>371,095</u>	<u>(7,836)</u>
Administration				
Salaries	1,397,120	1,397,120	1,435,233	(38,113)
Employee benefits	429,646	418,796	374,683	44,113
Contracted services	52,000	52,000	45,693	6,307
Equipment	5,500	6,000	4,528	1,472
Materials and supplies	15,730	15,730	17,744	(2,014)
Communications	65,000	65,000	73,514	(8,514)
Travel	14,500	14,500	10,660	3,840
Dues and memberships	7,895	7,895	3,018	4,877
Other	<u>33,250</u>	<u>33,250</u>	<u>27,184</u>	<u>6,066</u>
Total administration	<u>2,020,641</u>	<u>2,010,291</u>	<u>1,992,257</u>	<u>18,034</u>
Transportation				
Salaries	189,982	189,982	195,350	(5,368)
Employee benefits	101,513	101,513	104,348	(2,835)
Contracted services	86,729	86,729	83,610	3,119
Materials and supplies	337,420	308,420	289,820	18,600
Maintenance and repairs	10,000	10,000	61,291	(51,291)
Other	<u>9,600</u>	<u>9,600</u>	<u>14,311</u>	<u>(4,711)</u>
Total transportation	<u>735,244</u>	<u>706,244</u>	<u>748,730</u>	<u>(42,486)</u>
Health				
Salaries	98,623	98,623	99,278	(655)
Employee benefits	37,335	37,335	37,336	(1)
Contracted services	13,380	9,380	8,720	660
Materials and supplies	6,600	6,600	4,085	2,515
Travel	<u>1,500</u>	<u>1,500</u>	<u>2,600</u>	<u>(1,100)</u>
Total health	<u>157,438</u>	<u>153,438</u>	<u>152,019</u>	<u>1,419</u>
Total expenditures this page	<u>\$ 3,264,682</u>	<u>\$ 3,233,232</u>	<u>\$ 3,264,101</u>	<u>\$ (30,869)</u>

(Continued)

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

	<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	\$ 816,476	\$ 832,469	\$ 716,149	\$ 116,320
Employee benefits	369,157	369,662	348,312	21,350
Insurance	103,845	103,845	102,425	1,420
Contracted services	56,000	56,000	156,868	(100,868)
Equipment	7,500	7,500	121,210	(113,710)
Utilities	893,888	774,491	673,465	101,026
Materials and supplies	96,700	96,700	137,480	(40,780)
Maintenance and repairs	201,000	291,000	310,437	(19,437)
Communications	4,000	4,000	3,135	865
Building Improvements	516,607	1,011,107	913,383	97,724
Other	9,750	9,750	20,302	(10,552)
Total maintenance and operations	<u>3,074,923</u>	<u>3,556,524</u>	<u>3,503,166</u>	<u>53,358</u>
Debt service	<u>541,424</u>	<u>538,424</u>	<u>538,355</u>	<u>69</u>
Total expenditures	<u>24,052,136</u>	<u>24,769,436</u>	<u>24,900,828</u>	<u>(131,392)</u>
Excess of resources under expenditures	<u>(2,517,203)</u>	<u>(2,517,203)</u>	<u>(2,270,427)</u>	<u>246,776</u>
Other Financing Sources				
Operating transfers	\$ -	\$ -	\$ 50,480	\$ 50,480
Town of Greeneville	<u>5,677,185</u>	<u>5,677,185</u>	<u>5,677,183</u>	<u>(2)</u>
Total other financing sources	<u>5,677,185</u>	<u>5,677,185</u>	<u>5,727,663</u>	<u>50,478</u>
Fund balance, June 30, 2013	<u>\$ 3,159,982</u>	<u>\$ 3,159,982</u>	<u>\$ 3,457,236</u>	<u>\$ 297,254</u>

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements
June 30, 2013

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:

Financial Reporting Entity - The Town was incorporated in 1903 under the provisions of the State of Tennessee and operates under a Council/Administrator 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, 2013, the Town and County appropriated \$20,000 and \$29,400, respectively, to supplement the Park's operating revenues. At June 30, 2013, the Park's net position was \$133,162.
- 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, 2013, the Town and County each appropriated \$30,380 to supplement the Airport's operating revenues. At June 30, 2013 the Airport's net position was \$11,458,882.

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, 2013, the Town and County did not appropriate funds to the Landfill. The landfill transferred \$1,000,000 back to the County during the year. At June 30, 2013, the Landfill's net position was \$2,817,759.
- 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, 2013, the Town and County each appropriated \$84,500 to supplement the Library's operating revenues. At June 30, 2013, the Library's net position was \$741,270.
- 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 Position, 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 position is reported in three parts - net investment in capital assets; restricted; and unrestricted. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, restricted net position is 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 position 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 primary operating fund. It is established to account for resources devoted to financing the general services of the Town for its citizens. General tax revenues and other sources of revenue used in the operation of the Town are included in this fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Property tax revenues are recognized in the fiscal year levied. Expenditures are recognized when the related fund liability is incurred.

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. The major sources of funding are state shared revenues, local property taxes, and local option sales taxes. The General Purpose School Fund is presented as a major fund in the basic financial statements.

Proprietary Funds - The focus of proprietary fund measurement is upon determination of operating income, changes in net position, 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 have implemented Governmental Accounting Standards Board Statement No. 62, "Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements.

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 State Street Aid 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.

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

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

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

Accumulated Compensated Absences (Continued) - can apply the remaining two-thirds of unused sick leave toward service time for retirement purposes.

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.

Revenue Recognition and Accounts Receivable - 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 GWC and GLPS distinguish 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.

Allowance for Uncollectible Accounts - At June 30, 2013, the allowance for uncollectible taxes in the General Fund was \$89,743, the allowance for uncollectible accounts receivable in the enterprise funds was \$145,300 and the allowance for uncollectible accounts in the Special Revenue Fund, Extended School Program Fund, was \$493.

Inventories - The GWC's materials and supplies inventory are valued at the lower of average cost or market. Materials and supplies of the GLPS are recorded at average cost. Food and supplies inventories for School Nutrition are carried at cost and are subsequently charged to expenditures when consumed.

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)

Investments - Investments are reported at market value. Investments consist of non-cash equivalents such as certificates of deposits, US Government Securities and Bonds, with a maturity date greater than 3 months.

Capital Assets - Capital assets, including public domain infrastructure (eg. Roads, bridges, sidewalks and culverts) are reported in applicable governmental or business types activities column in the government wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and a useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost. Any donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend its life are not capitalized. Depreciation is computed using the straight line method over the estimated useful lives of the assets.

Reclassification - Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation.

Interfund 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 position. Bond premiums and discounts, as well as certain 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.

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.

New Accounting Pronouncements - GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012. Management implemented Statement 61 in the current year. The adoption of GASB 61 did not have any impact on the Town's financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources as defined by GASB's Concepts Statement No. 4. It also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis-for State and Local Governments*, and other pronouncements by incorporating deferred outflows and deferred inflows of resources into the definition of net assets and by renaming it as net position, rather than net assets. The requirements of this Statement will improve financial reporting by standardizing the presentation and their effects on a government's net position. Management implemented Statement 63 in the current year. The adoption of GASB 63 required mainly changes in titles and the recording of deferred inflows and outflows.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The Town elected to early implement Statement 65 in the current fiscal year. The adoption of GASB 65 created a prior period adjustment of \$527,582 to expense bond issue costs.

GASB Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*. GASB 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements*. The Town implemented Statement 66 in current fiscal year. The adoption of GASB 66 does not have any impact on the Town's financial statements.

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.

Date of Management's Review - Management has evaluated events and transactions occurring subsequent to the Statement of Net Position date of June 30, 2013 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through December 23, 2013, the date these financial statements were available to be issued.

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

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, 2013, the Town’s bank balances were \$3,156,016 of which \$529,701 was covered by federal depository insurance and \$2,626,315 was covered through bank participation in the State of Tennessee Bank Collateral Pool.

Board of Education - The GBOE’s cash accounts represent funds on deposit in a local financial institution. Bank balances at June 30, 2013 totaled \$4,127,176 of which \$250,000 was covered by federal depository insurance and \$3,877,176 was covered through bank participation in the State of Tennessee Bank Collateral Pool.

Water and Light Commission - At June 30, 2013, the bank balances were \$9,299,047, of which \$500,000 was covered by federal depository insurance and \$8,799,047 was covered through bank participation in the State of Tennessee Bank Collateral Pool.

Light & Power System - At June 30, 2013, the bank balances were \$21,577,105, of which \$7,405,000 was covered by federal depository insurance and \$14,172,105 was covered through bank participation in the State of Tennessee Bank Collateral Pool.

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

	Unrestricted	Restricted or Designated	Total
Cash and cash equivalents	\$ 30,015,227	\$ 251,821	\$30,267,048
Certificates of deposit	10,418,759	2,251,934	12,670,693
	\$ 40,433,986	\$ 2,503,755	\$42,937,741

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 \$110,097 at June 30, 2013 and is listed as Self-Insurance Investment on the Statement of Net Position.

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, 2013, the investment balance in the Investment Pool was \$83,166.

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

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 4,324,852	\$ -	\$ 41,575	\$ 4,283,277
Construction in progress	148,361	1,991,640	609,623	1,530,378
Total assets not being depreciated	<u>4,473,213</u>	<u>1,991,640</u>	<u>651,198</u>	<u>5,813,655</u>
Capital assets being depreciated				
Buildings and improvements	63,590,910	1,001,771	-	64,592,681
Infrastructure	47,647,803	-	-	47,647,803
Equipment and vehicles	14,846,229	528,806	295,562	15,079,473
Total capital assets being depreciated	<u>126,084,942</u>	<u>1,530,577</u>	<u>295,562</u>	<u>127,319,957</u>
Less accumulated depreciation for				
Buildings and improvements	(30,469,686)	(1,630,296)	-	(32,099,982)
Infrastructure	(41,624,725)	(206,855)	-	(41,831,580)
Equipment and vehicles	(12,656,680)	(756,102)	(295,562)	(13,117,220)
Total accumulated depreciation	<u>(84,751,091)</u>	<u>(2,593,253)</u>	<u>(295,562)</u>	<u>(87,048,782)</u>
Total capital assets being depreciated, net	<u>41,333,851</u>	<u>(1,062,676)</u>	<u>-</u>	<u>40,271,175</u>
Governmental activities capital assets, net	<u>\$ 45,807,064</u>	<u>\$ 928,964</u>	<u>\$ 651,198</u>	<u>\$ 46,084,830</u>
Business-type activities				
Capital assets not being depreciated				
Land and land rights	\$ 2,250,589	\$ -	\$ -	\$ 2,250,589
Construction in progress	1,145,262	1,789,810	(398,909)	2,536,163
Total assets not being depreciated	<u>3,395,851</u>	<u>1,789,810</u>	<u>(398,909)</u>	<u>4,786,752</u>
Capital assets being depreciated				
Structures and permanent improvements	34,568,429	386,218	-	34,954,647
Equipment, furnishings, and distribution systems	131,674,555	5,510,265	(775,251)	136,409,569
Total capital assets being depreciated	<u>166,242,984</u>	<u>5,896,483</u>	<u>(775,251)</u>	<u>171,364,216</u>
Less accumulated depreciation for capital assets being depreciated				
	<u>(76,523,958)</u>	<u>(5,466,330)</u>	<u>939,039</u>	<u>(81,051,249)</u>
Total accumulated depreciation	<u>(76,523,958)</u>	<u>(5,466,330)</u>	<u>939,039</u>	<u>(81,051,249)</u>
Total capital assets being depreciated, net	<u>89,719,026</u>	<u>430,153</u>	<u>163,788</u>	<u>90,312,967</u>
Business-type activities capital assets, net	<u>\$ 93,114,877</u>	<u>\$ 2,219,963</u>	<u>\$ (235,121)</u>	<u>\$ 95,099,719</u>

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	\$ 1,569,562
General government	478,960
Public safety	219,196
Public works	122,095
Health and welfare	118,761
Community development	<u>84,679</u>
Total governmental activities depreciation expense	<u>\$ 2,593,253</u>
Business-type activities	
Light & Power System	\$ 4,031,374
Water & Light Commission	<u>1,434,956</u>
Total business-type activities depreciation expense	<u>\$ 5,466,330</u>

NOTE 4 - BONDS AND NOTES PAYABLE

The Town's bonds and notes payable are to be repaid from governmental activities. Long-term debt at June 30, 2013, consisted of the following:

\$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 rate of 4.6%, payable semi-annually.	\$ 185,000
\$1,310,000 General Obligation Bonds, Series A, (Airport Improvement Project) due in annual installments of \$55,000 to \$90,000 through September 1, 2023; interest ranges from 4.20% to 5.1%, payable semi-annually.	790,000
\$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, 2013.	11,105,000
\$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, 2013.	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, 2013.	<u>950,000</u>
	24,150,000
Less amounts due within one year	<u>(545,000)</u>
	<u>\$ 23,605,000</u>

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

NOTE 4 - BONDS AND NOTES PAYABLE (Continued)

The following is a summary of changes in bonds and notes payable for the year ended June 30, 2013:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 270,000	\$ -	\$ (85,000)	\$ 185,000	\$ 90,000
General obligation bonds - Airport	845,000	-	(55,000)	790,000	55,000
Capital outlay note	23,540,000	-	(365,000)	23,175,000	400,000
Total bonds and notes payable	<u>\$ 24,655,000</u>	<u>\$ -</u>	<u>\$ (505,000)</u>	<u>\$ 24,150,000</u>	<u>\$ 545,000</u>

Governmental activities future maturities of bonds and notes payable at June 30, 2013 are as follows:

Year Ended June 30	General Obligation Bonds		Capital Outlay Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	70,000	25,525	1,335,000	749,650	1,405,000	775,175
2019-2023	390,000	73,606	8,180,000	2,989,575	8,570,000	3,063,181
2024-2028	90,000	2,295	8,655,000	1,351,350	8,745,000	1,353,645
2029	-	-	1,700,000	68,000	1,700,000	68,000
Total	<u>\$ 975,000</u>	<u>\$ 240,555</u>	<u>\$ 23,175,000</u>	<u>\$ 8,413,625</u>	<u>\$ 24,150,000</u>	<u>\$ 8,654,180</u>

NOTE 5 - OTHER NONCURRENT LIABILITIES

The Town's other noncurrent liabilities are segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. Other noncurrent liabilities consisted of the following at June 30, 2013:

Governmental Activities

Accrued compensated absences	\$ 596,360
Accrued retirement incentive	151,501
Other post employment benefits	366,975
Capital leases payable	<u>23,593</u>
	<u>\$ 1,138,429</u>

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

NOTE 5 - OTHER NONCURRENT LIABILITIES (Continued)

Business-Type Activities

Accrued compensated absences	\$ 763,527
Amounts due for easements purchased	38,375
Other post employment benefits	5,044,685
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.	2,111,368
	\$ 7,957,955

The following is a schedule of changes in other noncurrent liabilities for the year ended June 30, 2013.

Governmental Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Other noncurrent liabilities					
Capital leases	\$ 60,975	\$ 14,070	\$ (51,452)	\$ 23,593	\$ 4,362
Other post employment benefits	424,929	41,127	(99,081)	366,975	-
Compensated absences	557,699	39,339	(679)	596,359	-
Retirement incentive	198,926	66,706	(114,131)	151,501	-
Total other noncurrent liabilities	\$ 1,242,529	\$ 161,242	\$ (265,343)	\$ 1,138,428	\$ 4,362
Business-type Activities					
TVA home insulation program	\$ 2,009,225	\$ 102,143	\$ -	\$ 2,111,368	\$ -
Other post employment benefits	4,094,681	950,004	-	5,044,685	-
Compensated absences	715,935	47,592	-	763,527	-
Due for easements	38,375	-	-	38,375	-
Business-type activities l-t liabilities	\$ 6,858,216	\$ 1,099,739	\$ -	\$ 7,957,955	\$ -

NOTE 6 - PENSION PLAN FUNDS

Board of Education

Plan Description

The GBOE 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.

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

NOTE 6 - PENSION PLAN FUNDS (Continued)

Board of Education (Continued)

Plan Description (Continued)

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.

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

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for GBOE is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2013 was 8.88% of annual covered payroll. The employer contribution requirement for GBOE is established and may be amended by the TCRS Board of Trustees. The employer’s contributions to TCRS for the years ending June 30, 2013, 2012, and 2011, were \$1,106,763, 1,125,071, and \$1,115,403, respectively, equal to the required contributions for each year.

Town of Greeneville and Water and Light Commission

Plan Description

Employees of the Town and GWC 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 and GWC have adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

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

NOTE 6 - PENSION PLAN FUNDS - (Continued)

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

The Town and GWC is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 15.20% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Town and GWC is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2013, the Town and GWC's annual pension costs of \$1,882,472 to TCRS was equal to the Town and GWC's required and actual contributions. The required contribution was determined as part of the July 1, 2011 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 and GWC's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 6 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, 2013	\$ 1,882,472	100%	\$0.00
June 30, 2012	\$ 1,854,449	100%	\$0.00
June 30, 2011	\$ 1,858,886	100%	\$0.00

Funded 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) \$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.

Greeneville Light and Power System

Plan Description

Employees of the GLPS 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.

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

NOTE 6 - PENSION PLAN FUNDS - (Continued)

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 GLPS 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

GLPS has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

GLPS is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013 was 13.56%, of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for GLPS is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2013, GLPS’s annual pension cost of \$740,092, to TCRS was equal to it’s required and actual contributions. The required contribution was determined as part of the July 1, 2011 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 GLPS’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 10 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, 2013	\$ 740,092	100%	\$0.00
June 30, 2012	\$ 723,604	100%	\$0.00
June 30, 2011	\$ 748,408	100%	\$0.00

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

NOTE 6 - PENSION PLAN FUNDS - (Continued)

Greenville Light and Power System - (Continued)

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 7 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

Board of Education

Plan Description

The GBOE 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>.

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	\$	305
Interest on the NPO		14
Adjustment to the ARC		(15)
Annual OPEB cost		304
Amount of contribution		(403)
Increase / (Decrease) in NPO		(99)
Net OPEB obligation - beginning of year		406
Net OPEB obligation - end of year	\$	307

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

NOTE 7 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - (Continued)

Board of Education - (Continued)

Year End*	Plan	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6/30/2011	Teacher Group	\$ 404	100.0%	\$ 406
6/30/2012	Teacher Group	\$ 411	100.0%	\$ 406
6/30/2013	Teacher Group	\$ 304	100.0%	\$ 307

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012 was as follows (dollars in thousands):

	Teacher Group Plan 7/1/2012
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)	\$ 14,988
UAAL as a percentage of covered payroll	10%

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 initially. The rate decreased 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 2021. The rate includes a 2.5 percent inflation assumption, which also represents a projected salary increase. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning July 1, 2007.

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

NOTE 7 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - (Continued)

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
-30 years of service or
-55 years of age and 5 years of service
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 1/1/12 - 12/31/12

Plan	
Individual	\$ 6,552
Family	\$15,994

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.

Annual OPEB cost and net OPEB obligation - (Continued)

ARC	\$	381
Interest on the NPO		1
Adjustment to the ARC		(1)
Annual OPEB cost		381
Amount of contribution		(340)
Increase / (Decrease) in NPO		41
Net OPEB obligation - beginning of year		19
Net OPEB obligation - end of year	\$	<u>60</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ending 2011, 2012, and 2013 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
6/30/2011	\$ 367,396	97.9%	\$ 26,725	\$ 6,265,061	5.9%
6/30/2012	\$ 377,016	107.1%	\$ 18,741	\$ 6,421,688	5.9%
6/30/2013	\$ 381,218	89.2%	\$ 60,056	\$ 6,585,794	5.8%

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

NOTE 7 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - (Continued)

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

The funded status and funding progress of the plan as of July 1, 2012 was as follows:

	7/1/2012
Actuarial accrued liability (AAL)	\$ 4,384
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 4,384
Actuarial Value of Assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 6,586
UAAL as a percentage of covered payroll	66.6%

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.

Actuarial methods and assumptions

The valuation assumed a funding interest rate of 4%; a medical trend rate of 9%; an ultimate medical trend rate of 5%, an Entry Age actuarial cost method; an annual payroll growth rate of 2.5%; and remaining amortization period of 24.22 years at June 30, 2013.

Light and Power System

The Governmental Accounting Standards Board (“GASB”) establishes standards for the measurement, recognition, and reporting of other post-employment benefits (“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 6. 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 GLPS for the fiscal year beginning July 1, 2008.

During 2012, the GLPS 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 GLPS pays the cost of health care coverage for pre-Medicare retirees and their dependents. It also pays the premium for Medicare supplemental coverage for each retiree eligible for Medicare. The GLPS recognizes its share of the cost of health care expenses as claims are paid. During the year ended June 30, 2013, expenditures of \$292,858 was incurred for postretirement health care. The current year cost was approximately \$1.24 million, and the recorded net OPEB obligation liability at June 30, 2013 was approximately \$5 million.

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

NOTE 7 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - (Continued)

Light and Power System (Continued)

The annual required contribution that will be reported in the next fiscal year is estimated to be \$1.4 million, which includes the normal cost of the plan and the amortization over thirty years of any unfunded actuarial liability.

NOTE 8 - SPECIAL TERMINATION BENEFITS

The GBOE 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.
- (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 \$114,131. At June 30, 2013, the Board had an estimated liability of \$151,501 future benefits of current participants, assuming all participants live until eligibility expires.

NOTE 9 - PREPAID POWER

GLPS has an agreement with TVA by which it maintains an interest-earning prepaid power account for its purchases of electricity. At June 30, 2013, it had deposits with TVA totaling \$71,043, and had a liability for purchased power equaling \$6,795,875. The account yielded an interest rate of .068% at June 30, 2013.

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

NOTE 10 - DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources consisted of the following at June 30, 2013:

Governmental Activities

Unamortized premium on notes payable related to G.O. Refunding Bonds, series 2009 and 2010.	\$ 583,039
Deferred revenues - related to property tax assesment	<u>8,452,722</u>
	<u>\$ 9,035,761</u>

Business-type Activities

Deferred revenues	<u>\$ 286,654</u>
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NOTE 11 - 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 12 - 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 GWC 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.

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, 2013. The Landfill's financial statements reflect a liability for future closure and postclosure care costs of \$1,402,830. The Town will be responsible for one half of any closure and postclosure costs for which the Landfill does not have adequate funds.
- (2) The GWC has contractual agreements with the Glen Hills, Old Knoxville Highway, Chuckey, and Cross Anchor Utility Districts and the Town of Mosheim to sell water to them at the Greeneville Water Commission's current inside rates. The contracts are generally for 20 years; however, the Chuckey and Cross Anchor contracts include an early termination option of 10 years with a 5 year written notice.

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

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

Commitments and Contingencies (Continued)

- (3) The GLPS 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, 2013, \$618,179 of the allocation had been expended but not reimbursed, and represents a receivable due from the Industrial Park Agency.
- (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, 2013 was \$186,890. The principal balance the Board owes the Town for the two elementary schools at June 30, 2013 was \$180,000.

Also, the Town 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, 2013 was \$147,700. The principal balance the Board owes the Town for Greeneville Middle School at June 30, 2013 was \$1,285,000.

To assist the Town for the construction of Greeneville High School, the GBOE agreed to pay the Town, on an annual basis, the quarter cent sales tax money the Board of Education receives. This amount was \$203,765 for the year ended June 30, 2013. This payment will be made each year until fiscal year ended 2025.

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

NOTE 13 - FUND BALANCES

Amounts for specific purposes by fund and fund balance classifications for the year ended June 30, 2013, 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>
Nonspendable				
School Nutrition Food Inventory	\$ -	\$ -	\$ 79,731	\$ 79,731
Prepaid Insurance	94,098	-	-	94,098
Total Nonspendable	<u>94,098</u>	<u>-</u>	<u>79,731</u>	<u>173,829</u>
Restricted				
School Nutrition	-	-	433,717	433,717
Police SOF	3,756	-	-	3,756
State Street Aid	-	-	1,133,244	1,133,244
Total Restricted	<u>3,756</u>	<u>-</u>	<u>1,566,961</u>	<u>1,570,717</u>
Committed				
Litigation fees	117,719	-	-	117,719
Total Committed	<u>117,719</u>	<u>-</u>	<u>-</u>	<u>117,719</u>
Assigned				
Extended School Program	-	-	5,299	5,299
Instruction	-	263,692	-	263,692
Education	-	26,217	-	26,217
Municipal Solid Waste	-	-	113,562	113,562
Parking Fund	-	-	108,060	108,060
Self-insurance fund	2,362,031	-	-	2,362,031
Housing Authority Bonds	536,468	-	-	536,468
Special Events	5,703	-	-	5,703
Board of Education	-	2,990,049	-	2,990,049
Subsequent year's budget's	-	177,278	-	177,278
Total Assigned	<u>2,904,202</u>	<u>3,457,236</u>	<u>226,921</u>	<u>6,588,359</u>
Unassigned	<u>6,347,842</u>	<u>-</u>	<u>(159,213)</u>	<u>6,188,629</u>
Total Fund Balance	<u>\$ 9,467,617</u>	<u>\$ 3,457,236</u>	<u>\$ 1,714,400</u>	<u>\$ 14,639,253</u>

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

NOTE 14 - RISK MANAGEMENT

The Town, GBOE, GLPS, and GWC 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, 2013, total claims incurred were \$1,827,466 and claims paid were \$1,906,841. The total paid during the year ending June 30, 2013 included payment for claims incurred in previous years.

NOTE 15 - CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the GLPS and GWC 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, 2013.

The Town's investments in corporate bonds expose the General Fund of the Town to risks due to the volatility of the stock market. These risks are not significant due to relatively modest amounts invested.

NOTE 16 - POWER CONTRACT

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

NOTE 17 - TVA HOME INSULATION PROGRAM

Under a contract with the Tennessee Valley Authority, GLPS 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 GLPS. Customer repayments are remitted to the applicable financial institution by GLPS.

NOTE 18 - RELATED PARTY TRANSACTIONS

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

State of Tennessee and federal funds (includes \$214,199 in federal funds from Greene County Board of Education)	\$ 814,556
Greene County	467,756
Greene County Board of Education	315,660
Greeneville Board of Education	80,400
Other	<u>494</u>
	<u>\$ 1,678,866</u>

At June 30, 2013, the GBOE had an amount payable to the GTC in the amount of \$17,860.

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

NOTE 18 - RELATED PARTY TRANSACTIONS (Continued)

The GTC maintains its own bank account, through which all revenues and expenses are run. The Board is responsible for this account. The GTC's general fund expenditures totaling \$1,713,141 were paid out of this account during the year.

NOTE 19 - SUBSEQUENT EVENTS

The GWC received \$500,000 in federal grant revenue from a Community Development Block Grant to replace bar screens at the wastewater treatment plant, subsequent to June 30, 2013. The total cost of the project is estimated at \$650,000.

Subsequent to year end, the GWC was approved for a grant from the State of Tennessee's FastTrack program to correct piping to the clear wells at the water treatment plant. The total cost of the project is estimated at \$600,000 and the grant will be \$375,000.

Also subsequent to year end, the GWC was approved for a Clean Tennessee Energy Grant in the amount of \$250,000 for a new drive and pump at the water treatment plant.

The GWC has also applied for an EDA matching grant of \$1,200,000 for intake improvements at the river. Approval is pending legal action to obtain the property deed

In September 2013, Greene County and the Town signed an agreement with Waste Industries of Tennessee, LLC to operate the joint venture of the Greeneville - Greene County Landfill beginning on October 1, 2013. This will significantly impact the financial results in the 2013-2014 fiscal year end. Also subsequent to year end, the Landfill transferred \$1,000,000 to the Town of Greeneville.

Subsequent to year end, charter changes were approved at the Town including the removal of civil service for several departments and positions.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Retirement Plan Funding Progress (Unaudited)
Year Ended June 30, 2013

(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 & 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, 2013

(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, 2012	\$ -	\$ 4,384	\$ 4,384	0%	\$ 6,586	66.60%
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, 2012	\$ -	\$ 1,543	\$ 1,543	0%	\$ 14,988	10.29%
July 1, 2011	\$ -	\$ 1,543	\$ 1,543	0%	\$ 14,815	10.42%
July 1, 2010	\$ -	\$ 2,003	\$ 2,003	0%	\$ 14,564	13.75%
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, 2013

	Federal Projects Fund	School Nutrition Fund	Extended School Program	State Street Aid Fund	Community Development Fund	Municipal Solid Waste Fund	Parking Fund	Total Nonmajor Governmental Funds
ASSETS								
Cash and cash equivalents	\$ -	\$ 445,167	\$ 3,685	\$ 862,164	\$ 170,094	\$ 55,626	\$ 110,678	\$ 1,647,414
Due from other governmental units	390,963	-	-	162,942	327,307	-	-	881,212
Accounts receivable, net	-	-	1,734	-	-	89,359	-	91,093
Inventory	-	79,731	-	-	-	-	-	79,731
Certificates of deposit	-	-	-	223,138	-	-	-	223,138
Total assets	<u>\$ 390,963</u>	<u>\$ 524,898</u>	<u>\$ 5,419</u>	<u>\$ 1,248,244</u>	<u>\$ 497,401</u>	<u>\$ 144,985</u>	<u>\$ 110,678</u>	<u>\$ 2,922,588</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 390,963	\$ 11,450	\$ 120	\$ 27,800	\$ 329,307	\$ 19,557	\$ 1,211	\$ 780,408
Accrued liabilities	-	-	-	-	-	11,866	1,407	13,273
Deferred revenue - other	-	-	-	87,200	327,307	-	-	414,507
Total liabilities	<u>390,963</u>	<u>11,450</u>	<u>120</u>	<u>115,000</u>	<u>656,614</u>	<u>31,423</u>	<u>2,618</u>	<u>1,208,188</u>
Fund balance								
Nonspendable	-	79,731	-	-	-	-	-	79,731
Restricted	-	433,717	-	1,133,244	-	-	-	1,566,961
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	5,299	-	-	113,562	108,060	226,921
Unassigned	-	-	-	-	(159,213)	-	-	(159,213)
Total fund balance	<u>-</u>	<u>513,448</u>	<u>5,299</u>	<u>1,133,244</u>	<u>(159,213)</u>	<u>113,562</u>	<u>108,060</u>	<u>1,714,400</u>
	<u>\$ 390,963</u>	<u>\$ 524,898</u>	<u>\$ 5,419</u>	<u>\$ 1,248,244</u>	<u>\$ 497,401</u>	<u>\$ 144,985</u>	<u>\$ 110,678</u>	<u>\$ 2,922,588</u>

TOWN OF GREENEVILLE, TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013

	Federal Projects Fund	School Nutrition Fund	Extended School Program	State Street Aid Fund	Community Development Fund	Municipal Solid Waste Fund	Parking Fund	Total Nonmajor Governmental Funds
Revenues								
Intergovernmental revenues	\$ 1,812,813	\$ 922,895	\$ 15,319	\$ 387,670	\$ 362,099	\$ -	\$ -	\$ 3,500,796
Food service	-	501,252	-	-	-	-	-	501,252
Other revenues	-	12,905	814	80,618	-	-	-	94,337
Charges for service	-	-	98,273	-	-	1,003,812	51,709	1,153,794
Interest income	-	450	18	1,888	-	-	-	2,356
Total revenues	<u>1,812,813</u>	<u>1,437,502</u>	<u>114,424</u>	<u>470,176</u>	<u>362,099</u>	<u>1,003,812</u>	<u>51,709</u>	<u>5,252,535</u>
Expenditures								
Education	1,812,677	-	119,869	-	-	-	-	1,932,546
Public works	-	-	-	588,716	-	1,416,432	71,916	2,077,064
Food service	-	1,533,296	-	-	-	-	-	1,533,296
Community development	-	-	-	-	363,641	-	-	363,641
Total expenditures	<u>1,812,677</u>	<u>1,533,296</u>	<u>119,869</u>	<u>588,716</u>	<u>363,641</u>	<u>1,416,432</u>	<u>71,916</u>	<u>5,906,547</u>
Excess of revenues over (under) expenditures	<u>136</u>	<u>(95,794)</u>	<u>(5,445)</u>	<u>(118,540)</u>	<u>(1,542)</u>	<u>(412,620)</u>	<u>(20,207)</u>	<u>(654,012)</u>
Other financing sources (uses)								
Operating transfers in	-	-	-	-	-	414,612	-	414,612
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>414,612</u>	<u>-</u>	<u>414,612</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>136</u>	<u>(95,794)</u>	<u>(5,445)</u>	<u>(118,540)</u>	<u>(1,542)</u>	<u>1,992</u>	<u>(20,207)</u>	<u>(239,400)</u>
Fund balance, July 1, 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>1,953,800</u>
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ 513,448</u>	<u>\$ 5,299</u>	<u>\$ 1,133,244</u>	<u>\$ (159,213)</u>	<u>\$ 113,562</u>	<u>\$ 108,060</u>	<u>\$ 1,714,400</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
Revenues				
Federal government	\$ 1,965,190	\$ 1,980,228	\$ 1,812,813	\$ (167,415)
Total revenues	<u>1,965,190</u>	<u>1,980,228</u>	<u>1,812,813</u>	<u>(167,415)</u>
Expenditures				
Regular instruction				
Salaries	1,214,372	1,214,372	1,163,391	50,981
Employee benefits	322,574	322,574	309,955	12,619
Contracted services	152,572	164,220	76,481	87,739
Materials and supplies	37,182	39,182	30,874	8,308
Staff development	44,390	45,390	37,658	7,732
Equipment	5,000	5,000	15,298	(10,298)
Other	<u>188,964</u>	<u>189,354</u>	<u>179,020</u>	<u>10,334</u>
Total expenditures	<u>1,965,054</u>	<u>1,980,092</u>	<u>1,812,677</u>	<u>167,415</u>
Excess of revenues over expenditures	136	136	136	-
Fund balance, July 1, 2012	<u>(136)</u>	<u>(136)</u>	<u>(136)</u>	<u>-</u>
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
School Nutrition Program
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance - with Final Budget
	Original	Final		
Revenues				
Federal government	\$ 823,528	\$ 823,528	\$ 910,269	\$ 86,741
State of Tennessee	12,500	12,500	12,626	126
Charges for services	557,000	557,000	501,252	(55,748)
Investment income	350	350	450	100
Other local revenue	4,000	4,000	12,905	8,905
Total revenues	<u>1,397,378</u>	<u>1,397,378</u>	<u>1,437,502</u>	<u>40,124</u>
Expenditures				
Salaries	515,087	515,087	517,356	(2,269)
Employee benefits	194,738	194,738	197,353	(2,615)
Food service	540,128	540,128	667,876	(127,748)
Contracted services	15,000	15,000	17,918	(2,918)
Equipment	67,225	67,225	44,156	23,069
Supplies	53,600	53,600	74,014	(20,414)
Travel	1,500	1,500	2,196	(696)
Other	10,100	10,100	12,427	(2,327)
Total expenditures	<u>1,397,378</u>	<u>1,397,378</u>	<u>1,533,296</u>	<u>(135,918)</u>
Excess of revenues under expenditures	-	-	(95,794)	(95,794)
Fund balance, July 1, 2012	<u>609,242</u>	<u>609,242</u>	<u>609,242</u>	-
Fund balance, June 30, 2013	<u>\$ 609,242</u>	<u>\$ 609,242</u>	<u>\$ 513,448</u>	<u>\$ (95,794)</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Extended School Program
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance - with Final Budget
	Original	Final		
Revenues				
Federal government	\$ 3,150	\$ 3,150	\$ 15,319	\$ 12,169
Charges for services	129,800	129,800	98,273	(31,527)
Investment income	10	10	18	8
Other revenues	<u>-</u>	<u>-</u>	<u>814</u>	<u>814</u>
Total revenues	<u>132,960</u>	<u>132,960</u>	<u>114,424</u>	<u>(18,536)</u>
Expenditures				
Salaries	88,598	88,598	79,184	9,414
Employee benefits	15,432	15,432	14,397	1,035
Food service	6,500	6,500	7,034	(534)
Supplies	15,330	15,330	7,399	7,931
Bad debts	-	-	1,086	(1,086)
Travel	2,000	2,000	4,133	(2,133)
Other	<u>5,100</u>	<u>5,100</u>	<u>6,636</u>	<u>(1,536)</u>
Total expenditures	<u>132,960</u>	<u>132,960</u>	<u>119,869</u>	<u>13,091</u>
Excess of revenues under expenditures	-	-	(5,445)	(5,445)
Fund balance, July 1, 2012	<u>10,744</u>	<u>10,744</u>	<u>10,744</u>	<u>-</u>
Fund balance, June 30, 2013	<u>\$ 10,744</u>	<u>\$ 10,744</u>	<u>\$ 5,299</u>	<u>\$ (5,445)</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
State Street Aid
Year Ended June 30, 2013

	Budgeted Amounts		<u>Actual</u>	Variance - with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
State of Tennessee - gasoline tax	\$ 400,000	\$ 400,000	\$ 387,670	\$ (12,330)
Other revenues	-	-	80,618	\$ 80,618
Investment income	-	-	<u>1,888</u>	<u>1,888</u>
Total revenues	400,000	400,000	470,176	70,176
Expenditures				
Street repairs and maintenance - contracts	<u>400,000</u>	<u>400,000</u>	<u>588,716</u>	<u>(188,716)</u>
Excess of revenues under expenditures	-	-	(118,540)	(118,540)
Fund balance, July 1, 2012	<u>1,251,784</u>	<u>1,251,784</u>	<u>1,251,784</u>	<u>-</u>
Fund balance, June 30, 2013	<u>\$ 1,251,784</u>	<u>\$ 1,251,784</u>	<u>\$ 1,133,244</u>	<u>\$ (118,540)</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Municipal Solid Waste
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance - with Final Budget
	Original	Final		
Revenues				
Garbage fees	\$ 825,000	\$ 825,000	\$ 755,836	\$ (69,164)
Pull/rental charges	273,000	273,000	233,174	(39,826)
Toter/container sales	16,000	16,000	13,021	(2,979)
Miscellaneous revenues	<u>500</u>	<u>500</u>	<u>1,781</u>	<u>1,281</u>
Total revenues	<u>1,114,500</u>	<u>1,114,500</u>	<u>1,003,812</u>	<u>(110,688)</u>
Expenditures				
Salaries	338,675	338,675	342,734	(4,059)
Fringe benefits	220,985	220,985	209,685	11,300
Contracts	653,352	653,352	539,862	113,490
Operation of motor vehicles	275,000	275,000	252,346	22,654
Supplies and other	<u>41,100</u>	<u>41,100</u>	<u>71,805</u>	<u>(30,705)</u>
Total expenditures	<u>1,529,112</u>	<u>1,529,112</u>	<u>1,416,432</u>	<u>112,680</u>
Excess of expenditures over revenues	(414,612)	(414,612)	(412,620)	1,992
Other financing sources				
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	-	-	1,992	1,992
Fund balance, July 1, 2012	<u>111,570</u>	<u>111,570</u>	<u>111,570</u>	<u>-</u>
Fund balance, June 30, 2013	<u>\$ 111,570</u>	<u>\$ 111,570</u>	<u>\$ 113,562</u>	<u>\$ 1,992</u>

SUPPLEMENTARY INFORMATION

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Pass-through Grantor/ Program Title	Federal CFDA Number	(Accrued) Deferred July 1, 2012	Cash Receipts	Expenditures	(Accrued) Deferred June 30, 2013
Board of Education					
United States Department of Health and Human Services Grants Passed Through Tennessee Department of Education					
Head Start	93.600	\$ -	\$ 107,281	\$ (107,281)	\$ -
United States Department of Health and Human Services Grant Passed Through Upper East Tennessee Human Development Agency					
Child Care Assistance	93.575	-	13,149	(13,149)	-
United States Department of Agriculture Grants					
Child Care Food	10.558	-	97,733	(97,733)	-
School Breakfast Program	10.553	-	173,371	(173,371)	-
National School Lunch Program	10.555	-	534,058	(534,058)	-
Total United States Department of Agriculture Grants		-	805,162	(805,162)	-
United States Department of Education Grants Passed Through Tennessee Department of Education					
Adult Basic Education	84.002	(47,327)	198,719	(186,987)	(35,595)
NCLB, Title I	84.010	(187,100)	700,940	(701,769)	(187,929)
Special Education - Grants to States (IDEA, Part B)	84.027	(116,992)	658,033	(653,764)	(112,723)
IDEA Preschool	84.173	-	7,500	(7,500)	-
Education Jobs Fund	84.410	(55,659)	55,659	-	-
Title VI, Part B	84.358	(14,584)	59,697	(64,861)	(19,748)
Title III, Part A	84.365	-	32,217	(33,119)	(902)
Title II, Part A	84.367	(13,673)	86,426	(85,208)	(12,455)
Title IV, Part B - 21st Century	84.287	(35,615)	60,276	(57,500)	(32,839)
E Rate	84.302A	-	25,833	(25,833)	-
Race to the Top Incentive Grants	84.395	(42,143)	260,610	(275,674)	(57,207)
Total United States Department of Education		(513,093)	2,145,910	(2,092,215)	(459,398)
United States Department of Education Grants Passed Through Tennessee Department of Education and Greene County Board of Education					
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)
Total United States Department of Education		-	128,548	(128,548)	-
United States Department of Defense Grant					
Junior ROTC	12.357	(4,791)	52,782	(52,823)	(4,832)
Total Board of Education		(517,884)	3,252,832	(3,199,178)	(464,230)
Greenville Light and Power System					
United States Department of Homeland Security, FEMA Passed Through TN Department of Military, TN Emergency Management Agency, Passed through Town of Greeneville, TN					
Public Assistance Grant for Presidential Disaster Declaration FEMA-1974-DR-TN	97.036	(327,307)	-	-	(327,307)

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

Pass-through Grantor/ Program Title	Federal CFDA Number	(Accrued) July 1, 2012	Cash Receipts	Expenditures	(Accrued) June 30, 2013
General Fund, State Street Aid, and Community Development					
United States Department of Homeland Security					
Assistance to Firefighters Grant	97.044	(23,254)	23,254	-	-
United States Department of Energy Grant Passed Through Tennessee Department of Economic and Community Development					
Energy Efficiency Conservation Block Grant - ARRA	81.128	(16,950)	16,950	-	-
United States Department of Housing and Urban Development Grant Passed Through Tennessee Department of Economic and Community Development					
Housing Rehabilitation Community Development Block Grant	14.239	(11,920)	374,019	(362,099)	-
United States Department of Health and Human Services Grant Passed Through Tennessee Commission on Aging Passed Through First Tennessee Development District					
Special Programs for the Aging - Supportive Services and Senior Centers - Roby Center	93.044	-	29,181	(31,736)	(2,555)
United States Department of Justice					
Bulletproof Vest Partnership Program	16.607	(2,083)	2,083	(2,083)	(2,083)
United States Department of Homeland Security, FEMA Passed Through TN Department of Military, TN Emergency Management Agency					
Public Assistance Grant for Presidential Disaster Declaration FEMA-1974-DR-TN	97.036	(327,307)	-	-	(327,307)
United States Department of Transportation Grants Passed Through Tennessee Department of Transportation					
Highway Enforcement Life Protection (H.E.L.P.)	20.600	-	10,714	(10,714)	-
High Visibility Law Enforcement Campaign Grant	20.607	-	-	(3,990)	(3,990)
Fairgrounds Connector Road (Highway Planning and Construction)	20.205	(80,619)	80,619	(87,200)	(87,200)
Total United States Department of Transportation		(80,619)	91,333	(101,904)	(91,190)
Total General Fund, State Street Aid, and Community Development		(462,133)	536,820	(497,822)	(423,135)
Total Federal Funds		<u>\$ (1,307,324)</u>	<u>\$ 3,789,652</u>	<u>\$ (3,697,000)</u>	<u>\$ (1,214,672)</u>

TOWN OF GREENEVILLE, TENNESSEE
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

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, 2013. 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 position, 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 GBOE provided federal awards to the GTC as follows:

<u>Program Title</u>	<u>Amount</u>
Perkins	\$37,777

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, 2013

Grantor/Program Title	(Accrued) July 1, 2012	Cash Receipts	Expenditures	(Accrued) June 30, 2013
Board of Education				
Tennessee Department of Education				
Early Childhood	\$ (179,225)	\$ 648,474	\$ (639,401)	\$ (170,152)
Arts Student Ticket Subsidy	-	800	(800)	-
ConnecTN	-	8,925	(8,925)	-
School Safety	-	13,300	(13,300)	-
Coordinated School Health State Expansion	(23,867)	94,657	(95,000)	(24,210)
ACT Testing	-	3,125	(3,125)	-
Basic Education Program	-	11,393,049	(11,393,049)	-
Career Ladder	-	155,692	(156,857)	(1,165)
Professional Development	(25,000)	25,000	-	-
Energy Efficient Schools	-	40,753	(40,753)	-
Child Nutrition	-	12,626	(12,626)	-
Total Board of Education	<u>(228,092)</u>	<u>12,396,401</u>	<u>(12,363,836)</u>	<u>(195,527)</u>
General Fund				
Tennessee Department of Environment & Conservation				
Hal Henard Sports Complex	(104,014)	419,630	(320,986)	(5,370)
Tennessee Commission on Aging Grant Passed Through First Tennessee Development District				
State Senior Center	-	12,200	(12,200)	-
Total General Fund	<u>(104,014)</u>	<u>431,830</u>	<u>(333,186)</u>	<u>(5,370)</u>
Total State Funds	<u>\$ (332,106)</u>	<u>\$ 12,828,231</u>	<u>\$(12,697,022)</u>	<u>\$ (200,897)</u>

TOWN OF GREENEVILLE, TENNESSEE
Schedule of General Bonded Debt
June 30, 2013

Year Ended June 30	General Obligation Series 2002		General Obligation Series A		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	-	-	70,000	25,525	70,000	25,525
2019-2023	-	-	390,000	73,608	390,000	73,608
2024	-	-	90,000	2,293	90,000	2,293
	<u>\$ 185,000</u>	<u>\$ 8,625</u>	<u>\$ 790,000</u>	<u>\$ 231,930</u>	<u>\$ 975,000</u>	<u>\$ 240,555</u>

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Notes Payable
June 30, 2013

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
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	135,000	407,775	1,200,000	341,875	-	-	1,335,000	749,650
2019-2023	7,210,000	1,507,275	970,000	1,482,300	-	-	8,180,000	2,989,575
2024-2028	3,265,000	197,000	5,390,000	1,154,350	-	-	8,655,000	1,351,350
2029	-	-	1,700,000	68,000	-	-	1,700,000	68,000
	<u>\$ 11,105,000</u>	<u>\$ 3,780,500</u>	<u>\$ 11,120,000</u>	<u>\$ 4,591,625</u>	<u>\$ 950,000</u>	<u>\$ 41,500</u>	<u>\$23,175,000</u>	<u>\$ 8,413,625</u>

See accompanying independent auditors' report.

TOWN OF GREENEVILLE, TENNESSEE
 Schedule of Interfund Transfers - All Funds
 Year Ended June 30, 2013

Transfer From	Transfer To			Total
	General Fund	General Purpose School Fund	Municipal Solid Waste Fund	
General Fund	\$ -	\$ 5,727,663	\$ 414,612	\$ 6,142,275
Light & Power System	<u>1,215,900</u>	<u>-</u>	<u>-</u>	<u>1,215,900</u>
	<u>\$ 1,215,900</u>	<u>\$ 5,727,663</u>	<u>\$ 414,612</u>	<u>\$ 7,358,175</u>

There were no interfund receivables or payables at June 30, 2013.

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Changes in Taxes Receivable
Year Ended June 30, 2013

Year of Levy	Assessment	Rate	Total Levy	Balance Unpaid 7/1/2012	Levy	Collections	Releases, Adjustments & Abatements	Balance Unpaid 6/30/2013
2013	\$ 398,484,563	1.86	\$ 8,452,722	\$ -	\$ 8,452,722	\$ -	\$ -	\$ 8,452,722
2012	432,199,169	1.86	8,323,179	8,323,179	-	7,951,990	-	371,189
2011	428,831,865	1.86	8,323,179	375,405	-	276,965	-	98,440
2010	428,831,865	1.86	8,278,513	113,049	-	46,526	-	66,523
2009	436,600,539	1.86	8,148,244	69,849	-	11,510	-	58,339
2008	434,527,018	2.29	8,339,350	26,482	-	18,384	-	8,098
2007	354,959,015	2.29	8,128,569	7,252	-	401	-	6,851
2006	344,008,201	2.29	7,877,788	8,997	-	7	-	8,990
2005	343,925,015	2.29	7,980,733	7,289	-	519	-	6,770
2004	336,401,719	2.29	8,031,950	8,523	-	1,193	-	7,330
2003	331,437,664	2.56	7,884,627	10,237	-	5,714	-	4,523
2002	286,366,462	2.56	7,617,194	18,514	-	15,820	-	2,694
2001	300,134,156	2.40	7,684,302	9,054	-	5,100	-	3,954
2000	271,400,826	2.40	6,514,041	5,008	-	136	-	4,872
				<u>\$ 8,982,838</u>	<u>\$ 8,452,722</u>	<u>\$ 8,334,265</u>	<u>\$ -</u>	<u>9,101,295</u>
							Less allowance for uncollectibles	<u>(89,743)</u>
								<u>\$ 9,011,552</u>

* As of June 30, 2013, 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, 2013

Customer Data

	<u>2013</u>	<u>2012</u>	<u>Increase</u>
Number of customers served in the month of June	37,752	37,721	31

Rate Data

	<u>Customer Charge</u>	<u>Energy Charge (Per kWh)</u>
Residential rate -	\$11.11	\$.09031
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: \$0.10212 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 \$0.10289 per kWh

Additional kWh per month at \$0.06356 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

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: \$0.06573 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: \$0.06573 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: \$0.04972 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: \$0.04985 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

- 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: \$0.04279 per kWh per month

TOWN OF GREENEVILLE, TENNESSEE
 Schedule of Customer and Rate Data
 Water and Light Commission
 June 30, 2013

			Hundreds of Cubic Feet of Water Consumption	Revenue	
	Water	Wastewater		Water	Wastewater
June, 2013	9,831	7,157	232,979	\$ 417,150	\$ 258,887
June, 2012	<u>9,830</u>	<u>7,161</u>	<u>263,732</u>	<u>345,559</u>	<u>205,004</u>
Increase (decrease)	<u><u>1</u></u>	<u><u>(4)</u></u>	<u><u>(30,753)</u></u>	<u><u>\$ 71,591</u></u>	<u><u>\$ 53,883</u></u>

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

Metered Rates

Service fee per month	\$8.25
First 1,000 cubic feet	1.20 per 100 cubic feet
Next 1,000 cubic feet	1.15 per 100 cubic feet
All over 2,000 cubic feet	1.10 per 100 cubic feet

Sewer customers were charged \$3.10 per 100 cubic feet of water used plus a flat monthly charge of \$7.00 for administrative costs. Minimum sewer usage charges were \$7.00. Industrial water surcharges based on concentration and volume are assessed certain commercial customers.

Customers outside the city are charged an additional 100% of the basic water and sewer rates. These rates went into effect September, 2012 and were reflective of a new tier structure implemented by the Commission. Increases will occur 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, 2013

<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
Town Administrator 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	\$ 96,837,327
Electronic data processing equipment	5,800,000
Mobile equipment	99,132
Equipment breakdown	96,936,459
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	631,300
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 & Power System</u>	
Property	\$ 42,551,582
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/ \$1.50 per KVA
Commercial crime	200,000
Cyber liability	1,000,000
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	422,500

AWWA WLCC Free Water Audit Software: Reporting Worksheet

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WAS v4.2

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[?](#) Click to access definition

Water Audit Report for: **Greeneville Water Commission**

Reporting Year: **2013** 7/2012 - 6/2013

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

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

WATER SUPPLIED

<< Enter grading in column 'E'

Volume from own sources:	?	10	2,929.670	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	?	8	1.000	under-registered MG/Yr
Water imported:	?	n/a	0.000	MG/Yr
Water exported:	?	n/a	0.000	MG/Yr
WATER SUPPLIED:			2,930.670	MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	?	10	2,240.188	MG/Yr	Click here: ? for help using option buttons below Use buttons to select percentage of water supplied OR value
Billed unmetered:	?	n/a	0.000	MG/Yr	
Unbilled metered:	?	10	62.622	MG/Yr	
Unbilled unmetered:	?		36.633	MG/Yr	
Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed					
AUTHORIZED CONSUMPTION:	?		2,339.443	MG/Yr	

WATER LOSSES (Water Supplied - Authorized Consumption)

591.227 MG/Yr

Apparent Losses

Unauthorized consumption:	?		7.327	MG/Yr	Pcnt: <input type="radio"/> 0.25% <input type="radio"/> Value: <input type="text"/> Use buttons to select percentage of water supplied OR value
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed					
Customer metering inaccuracies:	?	10	121.201	MG/Yr	Pcnt: <input type="radio"/> 5.00% <input type="radio"/> Value: <input type="text"/> Choose this option to enter a percentage of billed metered consumption. This is NOT a default value
Systematic data handling errors:	?	6	2.000	MG/Yr	
Apparent Losses:	?		130.527		

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:	?		460.699	MG/Yr
WATER LOSSES:			591.227	MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: [?](#) 690.482 MG/Yr

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	?	6	311.0	miles
Number of active AND inactive service connections:	?	10	10,823	
Connection density:			35	conn./mile main
Average length of customer service line:	?	9	15.0	ft <small>(the length between or between a meter and a property boundary)</small>
Average operating pressure:	?	5	70.0	psi

COST DATA

Total annual cost of operating water system:	?	10	\$3,779,738	\$/Year
Customer retail unit cost (applied to Apparent Losses):	?	8	\$2.19	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	?	10	\$339.95	\$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	23.6%
Non-revenue water as percent by cost of operating system:	12.6%
Annual cost of Apparent Losses:	\$285,855
Annual cost of Real Losses:	\$156,615

Operational Efficiency Indicators

Apparent Losses per service connection per day:	33.04	gallons/connection/day
Real Losses per service connection per day*:	116.62	gallons/connection/day
Real Losses per length of main per day*:	N/A	
Real Losses per service connection per day per psi pressure:	1.67	gallons/connection/day/psi
? Unavoidable Annual Real Losses (UARL):	90.36	million gallons/year
From Above, Real Losses = Current Annual Real Losses (CARL):	460.70	million gallons/year
? Infrastructure Leakage Index (ILI) [CARL/UARL]:	5.10	

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

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 90 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Unauthorized consumption
- 2: Master meter error adjustment
- 3: Systematic data handling errors

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

Independent Auditors' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Greeneville, Tennessee (the "Town"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 23, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist and not be identified. Given these limitations, during our audit we did not find any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. See finding 13-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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 Board of Education, Town of Greeneville, Tennessee's Response to Finding

The Board of Education, Town of Greeneville, Tennessee's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board of Education, Town of Greeneville, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rodger Mass & Co, PLLC

Greeneville, Tennessee
December 23, 2013

- Certified Public Accountants
 - Business Advisors

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w: rodefermoss.com
185 Serral Drive
Greeneville, TN 37745



Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Mayor and Board of Aldermen
Town of Greeneville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the Town of Greeneville, Tennessee's (the "Town") 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's major federal programs for the year ended June 30, 2013. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. 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'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Town'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rodger Moss & Co, PLLC

Greeneville, Tennessee
December 23, 2013

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Findings and Questioned Costs
June 30, 2013

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 Independent Auditors' 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*.
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 Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by *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: Special Education Cluster (IDES), (84.027 and 84.173); Title 1 (84.010); and Housing Rehabilitation Community Development Block Grant (14.239).
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 low-risk auditee.
10. There were no questioned costs.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Board of Education

SIGNIFICANT DEFICIENCIES

13-01

Observation: The person in charge of processing payroll also has access to add employees and change pay rates. This was also a finding in the prior year.

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