

TOWN OF VONORE, TENNESSEE

FINANCIAL STATEMENTS

June 30, 2012

TOWN OF VONORE, TENNESSEE
FINANCIAL STATEMENTS
June 30, 2012

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February 15, 2013

INDEPENDENT AUDITORS' REPORT

To the Mayor and Board of Alderman
Town of Vonore, Tennessee
Vonore, Tennessee

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

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Vonore, Tennessee, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the Drug Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2013 on our consideration of the Town of Vonore, Tennessee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, the required supplementary information on page 35, and other supplementary information on pages 36 through 38 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.

Ingram, Overholt & Bean, P.C.

TOWN OF VONORE
613 Church Street
P. O. Box 218
Vonore, Tennessee 37885

February 15, 2013

Management's Discussion and Analysis

The management of the Town of Vonore, Tennessee (the Town) presents this Management's Discussion and Analysis (MD&A) of the Town's financial condition and results of operations for the fiscal year ended June 30, 2012. This information should be read in conjunction with the accompanying financial statements.

This MD&A also presents an overview of the Town including the Sewer Fund, known as the primary government. The government-wide financial statements include on the primary government which is the total reporting entity.

The basic services provided by the Town are reported in the audit. Those are divided into governmental revenues which are principally supported by taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Sewer Fund is the Town's sole business-type activity.

Financial Highlights

- The assets of the Town of Vonore Primary Government were more than its liabilities at year-end by \$2,148,442 and 2011 by \$2,078,608.
- The Town of Vonore Primary Government net assets increased by \$69,834 or 3.3 percent in 2012 and by \$43,722 or 2.1 percent in 2011.
- At 2012 year-end, the Town's governmental funds reported combined ending fund balances of \$305,072 an increase of \$159,999 from 2011. Of the total fund balances, \$313,727 (\$138,885 in 2011) is unreserved and available for ongoing operations.
- At June 30, 2012 the unreserved General Fund Balance was \$313,727 (\$138,885 in 2011) or 25.7% (11.2% in 2011) of General Fund expenditures. This demonstrates the Town's fiscal discipline and will help meet unexpected emergencies and other uncertainties the Town may face during the course of everyday operations.

Overview of the Financial Statements

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

(Continued)

Overview of the Financial Statements (Continued)

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the Town’s finances in a manner similar to a private-section business.

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the Town include General Government, Highways and Streets, Public Works, and Public Welfare.

The business-type of activities of the Town include Sewer services provided by the Sewer Fund.

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

Governmental Funds – *Governmental Funds* are used to account for essentially the same functions reported as *government activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *government funds* with similar information presented for *governmental activities* in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund

The Town maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Drug Fund, both of which are considered to be major funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for all major funds and are presented on pages 16 through 20.

(Continued)

Overview of the Financial Statements (Continued)

Fund Financial Statements (Continued)

Proprietary Funds – *Proprietary Funds* are used to account for activities where the emphasis is placed on net income determination. The Town maintains one type of proprietary funds-enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town has one enterprise fund to account for sewer collection services.

The Town's enterprise fund, the Sewer Fund, is a major fund and is reported separately in the government-wide and fund financial statements. The proprietary fund financial statements are presented on pages 21 through 23 in the basic financial statements.

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

Internal Control and Compliance Section – This includes the auditors' report on the Town's internal controls and compliance.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. The Town's assets exceeded its liabilities by \$2,148,442 (\$2,078,608 in 2011).

By far, the largest portion of the Town's net assets reflects its investment in capital assets (e.g., land, buildings, sewer plant facilities, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services; consequently, these assets are not available for future spending.

Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate long-term debt. At year-end 2011 the Town's statement of net assets consisted of the following:

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets	\$ 980,936	\$ 797,670
Capital assets, net of accumulated depreciation	<u>2,097,434</u>	<u>2,243,462</u>
Total Assets	<u>\$ 3,078,370</u>	<u>\$ 3,041,132</u>
LIABILITIES		
Current liabilities	656,383	644,979
Noncurrent liabilities	<u>273,545</u>	<u>317,545</u>
Total Liabilities	<u>929,928</u>	<u>962,524</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,779,889	1,884,917
Restricted	7,428	6,188
Unrestricted	<u>361,125</u>	<u>187,503</u>
Total Net Assets	<u>2,148,442</u>	<u>2,078,608</u>
Total Liabilities and Net Assets	<u>\$ 3,078,370</u>	<u>\$ 3,041,132</u>

(Continued)

Government-Wide Financial Analysis (Continued)

The unrestricted net assets may be used to meet the obligations to employees and creditors and to help fund next year's budget. A portion of the Town's net assets represent resources that are subject to external restrictions on how they may be used.

The Town's net assets increased by \$69,834 (increased by \$43,722 in 2011) during the current fiscal year. Following is a summary of financial activities for the Town during the current fiscal year:

	<u>2012</u>	<u>2011</u>
REVENUES		
Program revenues:		
Fees, fines and charges for services	\$ 290,706	\$ 281,720
Operating grants and contributions	13,901	1,700
General revenues:		
Local taxes	1,125,546	1,019,202
Intergovernmental	173,653	164,777
Other income	25,892	80,055
Transfer	<u>34,093</u>	<u>70,000</u>
Total Revenues	<u>\$ 1,663,791</u>	<u>\$ 1,617,454</u>
EXPENSES		
General government	\$ 368,844	\$ 363,094
Highways and streets	213,646	248,151
Public safety	663,669	591,046
Public welfare	50,188	35,170
Sewer services	259,352	258,880
Interest on long-term debt	4,165	7,391
Transfer	<u>34,093</u>	<u>70,000</u>
Total Expenses	<u>1,593,957</u>	<u>1,573,732</u>
Change in Net Assets	69,834	43,722
Net Assets at the Beginning of Year	<u>2,078,608</u>	<u>2,034,886</u>
Net Assets at the End of Year	<u>\$ 2,148,442</u>	<u>\$ 2,078,608</u>

Governmental Activities – Governmental activities increased the Town's net assets by \$96,667 (\$62,755 increase in 2011). The Town's main source of revenues is from local and state-shared taxes which consist of tax revenue shared by the State of Tennessee, local option sales tax, and property taxes.

Business Type Activities – Business-type activities decreased the Town's net assets by \$26,833 (\$19,033 decrease in 2011).

(Continued)

CAPITAL ASSETS

The Town's investment in capital assets as of June 30, 2012 was \$2,097,434 (\$2,243,462 in 2011) net of accumulated depreciation. The majority of net capital assets are buildings and related improvements.

	<u>2012</u>	<u>2011</u>
CAPITAL ASSETS – NET		
Furniture and fixtures	\$ 9,076	\$ 7,689
Buildings and improvements	187,358	140,035
Equipment	125,407	192,876
Vehicles	191,656	273,214
Sewer plant	<u>1,583,937</u>	<u>1,629,648</u>
	<u>\$ 2,097,434</u>	<u>\$ 2,243,462</u>

The major capital asset additions during the year ending June 30, 2012 were as follows:

	<u>2012</u>	<u>2011</u>
Governmental Activities:		
Equipment	<u>\$ 21,040</u>	<u>\$ 11,686</u>

DEBT ADMINISTRATION

At June 30, 2012, the Town had outstanding debt of \$317,545 (\$358,545 in 2011) consisting of capital outlay notes payable.

	<u>2012</u>	<u>2011</u>
Notes payable	\$ 317,545	\$ 358,545
Capital lease	<u>-</u>	<u>-</u>
Total Debt-principal	317,545	358,545
Less: Current Portion Due	<u>(44,000)</u>	<u>(41,000)</u>
Total Long-Term Debt Principal	<u>\$ 273,545</u>	<u>\$ 317,545</u>

Additional information on debt can be found in Note 7 to the financial statements.

(Continued)

DEBT ADMINISTRATION

Financial Analysis of the Town's Funds

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

Governmental Funds – The focus of the Town's governmental funds is to provide information on *near-term* inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The General Fund's fund balance increased by \$174,842 in 2012 (increased by \$138,471 in 2011).

Proprietary Funds – The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net assets were \$63,481 at June 30, 2012 (\$44,603 in 2011), which is 3.9% (2.7% in 2011) of total net assets of the Sewer Fund. In 2012 the Sewer Fund's net assets decreased by \$26,833. In 2011 the Sewer Fund's net assets decreased by \$19,033.

General Fund Budgetary Highlights

ONGOING AND PROJECTED BUDGET CONSIDERATIONS

The Town of Vonore employees are eligible to join the benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. This requires that the Town contribute annually at an actuarially determined rate. The rate for fiscal year 2012 was 8.23% of annual covered payroll. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010. Although this is an ongoing obligation that the Town must meet, it is a valuable benefit to the employees and is important in recruiting and maintaining quality people.

The Town of Vonore has a long-term commitment to providing sewer services to all citizens of the Town. This has moved in an orderly fashion with much of the construction being funded with matching grants. As of June 30, 2012, the Town's sewer system covered approximately 90% of the Town's residents. There remains one last major area to be served. Since the sewer system has been developed over a long period of time and the Town has grown during that time, some of the existing plant in service is outdated and insufficient to perform as needed. This will necessitate upgrading and replacing some equipment, namely pumping stations, to bring it to an efficient level. It is our hope that we will be able to continue to fund a large percentage of this with grants as has been the case in the past. The Town's remaining movable equipment is being upgraded and is in good condition.

The Town of Vonore has obtained acreage from the Tennessee Valley Authority, Tellico Reservoir Development Agency and Monroe County to expand and develop a park. This would provide recreational opportunities for the growing population of the Town. Preliminary plans are being drawn up and will be presented to TVA, TRDA and Monroe County as well as the Town for approval. The plans will include expanded walking trails, playing fields, picnic areas, and other facilities. Grants and donations, as well as budgetary funding from the Town's General Fund revenues will be used to develop this valuable asset to the Town. The work will be done in stages as funds are available.

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General Fund Budgetary Highlights (Continued)

ONGOING AND PROJECTED BUDGET CONSIDERATIONS (Continued)

Economic Factors and Next Year's Budgets and Rates

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

Request for Information

This MD&A and accompanying financial statements and notes are designed to provide our citizens, employees, creditors and regulatory agencies with an overview of the Town's finances. If you have any questions or need additional information, you may contact Rodney Tallent, Recorder, Town of Vonore, Tennessee, P. O. Box 218, Vonore, TN 37885.

Submitted By:



Rodney Tallent, Recorder

TOWN OF VONORE, TENNESSEE
STATEMENT OF NET ASSETS
For the Year Ended June 30, 2012
With Comparative Totals for the Year Ended June 30, 2011

	Governmental Activities	Business-Type Activities	Totals	
			<u>2012</u>	<u>2011</u>
ASSETS				
Cash	\$ 208,368	\$ 9,745	\$ 218,113	\$ 73,189
Accounts receivable, net of allowance for uncollectible accounts	-	53,736	53,736	33,353
Taxes receivable	88,982	-	88,982	86,554
Due from other governments	32,044	-	32,044	30,820
Property taxes receivable	588,061	-	588,061	573,754
Depreciable capital assets, net of accumulated depreciation	<u>513,497</u>	<u>1,583,937</u>	<u>2,097,434</u>	<u>2,243,462</u>
Total Assets	<u>\$ 1,430,952</u>	<u>\$ 1,647,418</u>	<u>\$ 3,078,370</u>	<u>\$ 3,041,132</u>
LIABILITIES				
Accounts payable	\$ 19,568	\$ -	\$ 19,568	\$ 3,226
Accrued salaries	6,015	-	6,015	27,405
Current portion of long-term debt	44,000	-	44,000	41,000
Other accrued liabilities	10,574	-	10,574	2,867
Deferred revenue	576,226	-	576,226	570,481
Long-term debt, net of current portion	<u>273,545</u>	<u>-</u>	<u>273,545</u>	<u>317,545</u>
Total Liabilities	<u>929,928</u>	<u>-</u>	<u>929,928</u>	<u>962,524</u>
NET ASSETS				
Invested in capital assets, net of related debt	195,952	1,583,937	1,779,889	1,884,917
Restricted – drug enforcement	7,428	-	7,428	6,188
Unrestricted	<u>297,644</u>	<u>63,481</u>	<u>361,125</u>	<u>187,503</u>
Total Net Assets	<u>501,024</u>	<u>1,647,418</u>	<u>2,148,442</u>	<u>2,078,608</u>
Total Liabilities and Net Assets	<u>\$ 1,430,952</u>	<u>\$ 1,647,418</u>	<u>\$ 3,078,370</u>	<u>\$ 3,041,132</u>

See accompanying independent auditors' report and notes.

TOWN OF VONORE, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012
With Comparative Totals for the Year Ended June 30, 2011

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes In Net Assets		Totals	
	Expenses	Fees, Fines & Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	2012	2011
	Governmental Activities:						
General Government	\$ 368,844	\$ 3,079	\$ 1,000	\$ (364,765)	\$ -	\$ (364,765)	\$ (360,694)
Public Safety	663,669	89,228	4,991	(569,450)	-	(569,450)	(481,371)
Highways and streets	213,646	-	7,910	(205,736)	-	(205,736)	(248,151)
Public welfare	50,188	-	-	(50,188)	-	(50,188)	(33,670)
Interest on long-term debt	4,165	-	-	(4,165)	-	(4,165)	(7,391)
Total Governmental Activities	<u>1,300,512</u>	<u>92,307</u>	<u>13,901</u>	<u>(1,194,304)</u>	<u>-</u>	<u>(1,194,304)</u>	<u>(1,131,277)</u>
Business-Type Activities							
Sewer system	<u>259,353</u>	<u>198,399</u>	<u>-</u>	<u>-</u>	<u>(60,954)</u>	<u>(60,954)</u>	<u>(89,035)</u>
Total Government	<u>\$ 1,559,865</u>	<u>\$ 290,706</u>	<u>\$ 13,901</u>	(1,194,304)	(60,954)	(1,255,258)	(1,220,312)
General Revenues:							
Property Taxes				575,030	-	575,030	548,481
Local sales tax				409,468	-	409,468	347,450
Wholesale beer tax				130,458	-	130,458	114,831
Miscellaneous taxes				10,590	-	10,590	8,440
Intergovernmental				173,652	-	173,652	164,777
Miscellaneous				25,694	-	25,694	79,796
Interest				172	28	200	259
Total General Revenues				<u>1,325,064</u>	<u>28</u>	<u>1,325,092</u>	<u>1,264,034</u>
Transfers				(34,093)	34,093	-	-
Total General Revenue & Transfer				<u>1,290,971</u>	<u>34,121</u>	<u>1,325,092</u>	<u>1,264,034</u>
Change in Net Assets				96,667	(26,833)	69,834	43,722
Net Assets – Beginning				404,357	1,674,251	2,078,608	2,034,886
Net Assets – Ending				<u>\$ 501,024</u>	<u>\$ 1,647,418</u>	<u>\$ 2,148,442</u>	<u>\$ 2,078,608</u>

See accompanying independent auditors' report and notes.

TOWN OF VONORE, TENNESSEE
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2012
With Comparative Totals for June 30, 2011

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>	
			<u>2012</u>	<u>2011</u>
ASSETS				
Cash	\$ 200,940	\$ 7,428	\$ 208,368	\$ 60,784
Taxes receivable	88,982	-	88,982	86,554
Due from other governments	32,044	-	32,044	30,820
Property taxes receivable	<u>588,061</u>	<u>-</u>	<u>588,061</u>	<u>573,754</u>
Total Assets	<u>\$ 910,027</u>	<u>\$ 7,428</u>	<u>\$ 917,455</u>	<u>\$ 751,912</u>
LIABILITIES				
Accrued salaries	6,015	-	6,015	19,239
Accounts payable	19,568	-	19,568	14,252
Deferred revenue	576,226	-	576,226	570,481
Other accrued liabilities	<u>10,574</u>	<u>-</u>	<u>10,574</u>	<u>2,867</u>
Total Liabilities	<u>612,383</u>	<u>-</u>	<u>612,383</u>	<u>606,839</u>
FUND BALANCES				
Restricted	-	7,428	7,428	6,188
Unassigned	<u>297,644</u>	<u>-</u>	<u>297,644</u>	<u>138,885</u>
Total Fund Balance	<u>297,644</u>	<u>7,428</u>	<u>305,072</u>	<u>145,073</u>
Total Liabilities and Fund Balances	<u>\$ 910,027</u>	<u>\$ 7,428</u>	<u>\$ 917,455</u>	<u>\$ 751,912</u>

See accompanying independent auditors' report and notes.

TOWN OF VONORE, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
For the Year Ended June 30, 2012

Total Fund Balance – Governmental Funds	\$	305,072
Capital assets used in governmental activities are reported in the statements of net assets; however, they are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		513,497
Long-term liabilities are not due in the current period and, therefore, are not reported in the governmental funds balance sheet.		<u>(317,545)</u>
Net Assets of Governmental Activities	\$	<u>501,024</u>

See accompanying independent auditors' report and notes.

TOWN OF VONORE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012
With Comparative Totals for the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Total Governmental Fund</u>	
			<u>2012</u>	<u>2011</u>
Revenues:				
Taxes:				
Property taxes	\$ 576,280	\$ -	\$ 576,280	\$ 549,731
Interest and penalty	5,847	-	5,847	4,540
Local sales tax	409,468	-	409,468	347,450
Franchise tax	1,287	-	1,287	1,477
Wholesale beer tax	130,458	-	130,458	114,831
Intergovernmental	189,760	-	189,760	167,650
Licenses and permits	7,242	-	7,242	3,583
Receipts for use of facilities	3,079	-	3,079	2,400
Charges for services	48,436	-	48,436	49,778
Fines and forfeitures	39,058	1,734	40,792	59,697
Other revenue	<u>18,611</u>	<u>11</u>	<u>18,622</u>	<u>76,470</u>
Total Revenues	<u>1,429,526</u>	<u>1,745</u>	<u>1,431,271</u>	<u>1,377,607</u>
Expenditures:				
Current				
General government	360,076	-	360,076	359,611
Public safety	581,607	505	582,112	570,016
Highways and streets	183,555	-	183,555	163,751
Public welfare	50,188	-	50,188	35,170
Debt service				
Principal	41,000	-	41,000	114,000
Interest	<u>4,165</u>	<u>-</u>	<u>4,165</u>	<u>7,391</u>
Total Expenditures	<u>1,220,591</u>	<u>505</u>	<u>1,221,096</u>	<u>1,249,939</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>208,935</u>	<u>1,240</u>	<u>210,175</u>	<u>127,668</u>
Other Financing Sources (Uses):				
Transfers from General Fund	-	-	-	9,000
Transfer to Drug Fund	-	-	-	(9,000)
Loan proceeds	-	-	-	74,000
Transfer to Sewer Fund	<u>(34,093)</u>	<u>-</u>	<u>(34,093)</u>	<u>(70,000)</u>
Total Other Financing Sources (Uses)	<u>(34,093)</u>	<u>-</u>	<u>(34,093)</u>	<u>4,000</u>
Excess of Revenues and Other Sources Over Expenditures & Other Uses	174,842	1,240	176,082	131,668
Fund Balance – July 1 st	<u>138,885</u>	<u>6,188</u>	<u>145,073</u>	<u>13,405</u>
Fund Balance – June 30th	<u>\$ 313,727</u>	<u>\$ 7,428</u>	<u>\$ 321,155</u>	<u>\$ 145,073</u>

See accompanying independent auditors' report and notes.

TOWN OF VONORE, TENNESSEE
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Excess of Revenues Over Expenditures – Government Funds	\$	176,082
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Acquisition of capital assets		21,040
Depreciation expense		(119,357)
Retirement of capital assets		(19,866)
Sale of assets		(2,232)
<p>Repayment of long-term debt is an expenditures in the governmental fund, but reduces long-term liabilities for governmental activities:</p>		
Loan repayment		<u>41,000</u>
 Change in Net Assets of Governmental Activities	 \$	 <u>96,667</u>

See accompanying independent auditors' report and notes.

TOWN OF VONORE, TENNESSEE
STATEMENT OF REVENUES, - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
With Comparative Totals for the Year Ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>Total (Memorandum Only) 2011</u>
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Taxes:					
Property taxes	\$ 555,000	\$ 555,000	\$ 575,030	\$ 20,030	\$ 548,481
Interest and penalty	2,500	2,500	5,847	3,347	4,540
In-Lieu of tax payments	1,250	1,250	1,250	-	1,250
Local sales tax	350,000	350,000	409,468	59,468	347,450
Franchise tax	1,500	1,500	1,287	(213)	1,477
Wholesale beer tax	<u>115,000</u>	<u>115,000</u>	<u>130,458</u>	<u>15,458</u>	<u>114,831</u>
Total Taxes	<u>1,025,250</u>	<u>1,025,250</u>	<u>1,123,340</u>	<u>98,090</u>	<u>1,018,029</u>
Intergovernmental:					
T.V.A. in-lieu of tax payments	14,500	14,500	20,220	5,720	15,433
State income tax	30,000	30,000	12,098	(17,902)	36,789
State beer tax	600	600	724	124	606
Mixed drink tax	1,000	1,000	-	(1,000)	704
State sales tax	78,000	78,000	99,550	21,550	76,987
State gas tax	32,000	32,000	38,035	6,035	31,764
State gas inspection	2,500	2,500	3,026	526	2,494
Grants	52,500	52,500	13,901	(38,599)	1,700
Corporate excise tax	<u>2,000</u>	<u>2,000</u>	<u>2,206</u>	<u>206</u>	<u>1,173</u>
Total Intergovernmental	<u>213,100</u>	<u>213,100</u>	<u>189,760</u>	<u>(23,340)</u>	<u>167,650</u>
Licenses and Permits:					
Beer licenses	1,000	1,000	2,200	1,200	1,500
Building permits	<u>2,000</u>	<u>2,000</u>	<u>5,042</u>	<u>3,042</u>	<u>2,083</u>
Total Licenses and Permits	<u>3,000</u>	<u>3,000</u>	<u>7,242</u>	<u>4,242</u>	<u>3,583</u>
Receipts for use of facilities:					
Rents and royalties	<u>2,500</u>	<u>2,500</u>	<u>3,079</u>	<u>579</u>	<u>2,400</u>
Charges for Service:					
Special fire protection fees	29,000	29,000	28,400	(600)	29,338
School security	20,000	20,000	19,906	(94)	20,115
Other charges for services	<u>350</u>	<u>350</u>	<u>130</u>	<u>(220)</u>	<u>325</u>
Total Charges for Services	<u>49,350</u>	<u>49,350</u>	<u>48,436</u>	<u>(914)</u>	<u>49,778</u>
Fines and forfeitures	<u>55,000</u>	<u>55,000</u>	<u>39,058</u>	<u>(15,942)</u>	<u>52,906</u>
Other Revenue:					
Impoundment charges	200	200	640	440	240
Sale of equipment	3,750	3,750	2,313	(1,437)	-
Insurance recoveries	15,000	15,000	-	(15,000)	59,324
Interest	300	300	161	(139)	257
Miscellaneous revenue	<u>19,100</u>	<u>19,100</u>	<u>15,497</u>	<u>(3,603)</u>	<u>16,634</u>
Total Other Revenue	<u>38,350</u>	<u>38,350</u>	<u>18,611</u>	<u>(19,739)</u>	<u>76,455</u>
TOTAL REVENUE	<u>\$ 1,386,550</u>	<u>\$ 1,386,550</u>	<u>\$ 1,429,526</u>	<u>\$ 42,976</u>	<u>\$ 1,370,801</u>

See accompanying independent auditors' report and notes.

TOWN OF VONORE, TENNESSEE
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
With Comparative Totals for the Year Ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>Total (Memorandum Only) 2011</u>
	<u>Original</u>	<u>Final</u>			
EXPENDITURES:					
General Government:					
Salaries	\$ 48,427	\$ 48,427	\$ 50,452	\$ (2,025)	\$ 48,433
FICA	57,500	57,500	53,587	3,913	56,560
Health insurance	59,000	59,000	68,089	(9,089)	57,871
Retirement	62,600	62,600	49,768	12,832	59,059
Unemployment insurance	2,500	2,500	4,221	(1,721)	2,121
Employee education & training	-	-	75	(75)	-
Dues and subscriptions	3,000	3,000	2,545	455	3,007
Communication services	2,600	2,600	2,330	270	2,392
Election expense	-	-	1,072	(1,072)	-
Accounting services	5,000	5,000	4,800	200	5,000
Other professional services	13,400	13,400	13,033	367	12,396
Office supplies and materials	5,000	5,000	2,667	2,333	4,591
Other fixed charges	155,800	155,800	7,604	148,196	5,677
Travel	400	400	81	319	-
Insurance	70,000	70,000	61,737	8,263	61,909
Donations	33,920	33,920	23,510	10,410	22,100
Total General Government	<u>519,147</u>	<u>519,147</u>	<u>345,571</u>	<u>173,576</u>	<u>341,116</u>
Planning and Zoning:					
Planning services	<u>8,000</u>	<u>8,000</u>	<u>2,625</u>	<u>5,375</u>	<u>5,250</u>
City Hall Buildings and Grounds:					
Utilities	8,085	8,085	6,947	1,138	7,995
Contractual services	4,300	4,300	4,250	50	4,250
Operating supplies	<u>1,100</u>	<u>1,100</u>	<u>683</u>	<u>417</u>	<u>1,000</u>
Total City Hall Buildings and Grounds	<u>13,485</u>	<u>13,485</u>	<u>11,880</u>	<u>1,605</u>	<u>13,245</u>
Police:					
Salaries	330,000	330,000	344,861	(14,861)	328,689
Training	1,000	1,000	2,000	(1,000)	832
Communications	2,500	2,500	2,065	435	3,501
Medical	250	250	338	(88)	184
Travel	-	-	314	(314)	-
Collection fees	3,600	3,600	2,131	1,469	3,732
Office supplies	800	800	40	760	916
Dues and subscriptions	250	250	240	10	250
Uniforms	1,500	1,500	1,055	445	601
Operating supplies	5,850	5,850	2,847	3,003	5,052
Repairs and maintenance	4,000	4,000	2,917	1,083	10,617
Utilities	3,000	3,000	2,257	743	1,303
Tow services	200	200	275	(75)	175
Operation of vehicles	57,000	57,000	40,061	16,939	27,177
Capital Outlay	<u>5,400</u>	<u>5,400</u>	<u>4,991</u>	<u>409</u>	<u>-</u>
Total Police	<u>415,350</u>	<u>415,350</u>	<u>406,392</u>	<u>8,958</u>	<u>383,029</u>

(Continued)

See accompanying independent auditors' report and notes.

TOWN OF VONORE, TENNESSEE
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
With Comparative Totals for the Year Ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>Total (Memorandum Only) 2011</u>
	<u>Original</u>	<u>Final</u>			
EXPENDITURES (Continued):					
Fire Department:					
Salaries	\$ 145,100	\$ 145,100	\$ 150,085	\$ (4,985)	\$ 150,987
Training	1,000	1,000	-	1,000	-
Communications	800	800	89	711	1,590
Medical	700	700	-	700	476
Utilities	6,800	6,800	4,913	1,887	5,143
Repairs and maintenance	2,000	2,000	787	1,213	3,808
Volunteer services	5,000	5,000	3,530	1,470	-
Operating supplies	1,600	1,600	1,710	(110)	2,147
Uniforms	1,200	1,200	498	702	733
Operation of vehicles	13,000	13,000	13,603	(603)	7,968
Total Fire Department	<u>177,200</u>	<u>177,200</u>	<u>175,215</u>	<u>1,985</u>	<u>172,852</u>
Protective Inspection:					
Salaries	1,500	1,500	-	1,500	216
Training	500	500	-	500	310
Total Protective Inspection	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>526</u>
Highways and Streets:					
Salaries	90,000	90,000	84,681	5,319	76,364
Training	1,000	1,000	-	1,000	-
Communication services	2,300	2,300	1,970	330	2,062
Medical	200	200	338	(138)	226
Utilities	3,800	3,800	2,415	1,385	2,993
Operating supplies	3,250	3,250	4,403	(1,153)	3,137
Uniforms	1,000	1,000	-	1,000	-
Operation of vehicles	16,000	16,000	14,686	1,314	8,823
Repairs and maintenance	20,500	20,500	15,487	5,013	7,011
Street signs	1,000	1,000	25	975	504
Street lighting	65,000	65,000	59,550	5,450	62,631
Total Highways and Streets	<u>204,050</u>	<u>204,050</u>	<u>183,555</u>	<u>20,495</u>	<u>163,751</u>
Parks and Recreation:					
Utilities	1,150	1,150	1,166	(16)	1,131
Park Improvements	15,400	15,400	4,211	11,189	1,990
Operating supplies	950	950	343	607	435
Total Parks and Recreation	<u>17,500</u>	<u>17,500</u>	<u>5,720</u>	<u>11,780</u>	<u>3,556</u>
Library and Community Center:					
Salaries	26,000	26,000	26,811	(811)	25,356
Utilities	4,700	4,700	4,349	351	4,589
Communication services	588	588	539	49	539
Professional services	1,000	1,000	955	45	940
Repairs and maintenance	6,000	6,000	11,814	(5,814)	190
Total Library and Community Center	<u>38,288</u>	<u>38,288</u>	<u>44,468</u>	<u>(6,180)</u>	<u>31,614</u>

(Continued)

See accompanying independent auditors' report and notes.

TOWN OF VONORE, TENNESSEE
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
With Comparative Totals for the Year Ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>Total (Memorandum Only) 2011</u>
	<u>Original</u>	<u>Final</u>			
EXPENDITURES (Continued):					
Debt Service:					
Bond principal	\$ 41,000	\$ 41,000	\$ 41,000	\$ -	\$ 39,000
Note payable	-	-	-	-	75,000
Interest expense	<u>4,500</u>	<u>4,500</u>	<u>4,165</u>	<u>335</u>	<u>7,391</u>
Total Debt Service	<u>45,500</u>	<u>45,500</u>	<u>45,165</u>	<u>335</u>	<u>121,391</u>
TOTAL EXPENDITURES	<u>1,440,520</u>	<u>1,440,520</u>	<u>1,220,591</u>	<u>219,929</u>	<u>1,236,330</u>
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(53,970)</u>	<u>(53,970)</u>	<u>208,935</u>	<u>262,905</u>	<u>134,471</u>
OTHER FINANCING (USES)					
Transfer to Sewer Fund	(14,000)	(14,000)	(34,093)	20,093	(70,000)
Loan proceeds	-	-	-	-	74,000
Transfer from other source	<u>43,952</u>	<u>43,952</u>	<u>-</u>	<u>43,952</u>	<u>-</u>
Total Other Financing Uses	<u>29,952</u>	<u>29,952</u>	<u>(34,093)</u>	<u>64,045</u>	<u>4,000</u>
(DEFICIENCY OF REVENUE OVER EXPENDITURES AND OTHER FINANCING (USES)	<u>(24,018)</u>	<u>(24,018)</u>	<u>174,842</u>	<u>198,860</u>	<u>138,471</u>
FUND BALANCE, JUNE 30, 2011	<u>138,885</u>	<u>138,885</u>	<u>138,885</u>	<u>-</u>	<u>414</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ 114,867</u>	<u>\$ 114,867</u>	<u>\$ 313,727</u>	<u>\$ 198,860</u>	<u>\$ 138,885</u>

See accompanying independent auditors' report and notes.

TOWN OF VONORE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DRUG FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
With Comparative Totals for the Year Ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>Total (Memorandum Only) 2011</u>
	<u>Original</u>	<u>Final</u>			
REVENUE					
Drug fines and fees	\$ 12,000	\$ 12,000	\$ 1,734	\$ (10,266)	\$ 6,791
Interest	<u>20</u>	<u>20</u>	<u>11</u>	<u>(9)</u>	<u>15</u>
Total Revenue	<u>12,020</u>	<u>12,020</u>	<u>1,745</u>	<u>(10,275)</u>	<u>6,806</u>
EXPENDITURES					
Communication and transport	-	-	-	-	933
Operating supplies	266	266	42	224	50
Special investigation	16,000	16,000	463	15,537	12,126
Training	<u>3,500</u>	<u>3,500</u>	<u>-</u>	<u>3,500</u>	<u>500</u>
Total Expenditures	<u>19,766</u>	<u>19,766</u>	<u>505</u>	<u>19,261</u>	<u>13,609</u>
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES	<u>(7,746)</u>	<u>(7,746)</u>	<u>1,240</u>	<u>8,986</u>	<u>(6,803)</u>
OTHER FINANCING (USES)					
Transfer from General Fund	-	-	-	-	(9,000)
Transfer to General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,000</u>
Total Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES AND OTHER FINANCING SOURCES	<u>(7,746)</u>	<u>(7,746)</u>	<u>1,240</u>	<u>8,986</u>	<u>(6,803)</u>
FUND BALANCE, JUNE 30, 2011	<u>6,188</u>	<u>6,188</u>	<u>6,188</u>	<u>-</u>	<u>12,991</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ (1,558)</u>	<u>\$ (1,558)</u>	<u>\$ 7,428</u>	<u>\$ 8,986</u>	<u>\$ 6,188</u>

See accompanying independent auditors' report and notes.

TOWN OF VONORE, TENNESSEE
SEWER FUND
STATEMENT OF NET ASSETS
JUNE 30, 2012
With Comparative Totals for the Year Ended June 30, 2011

	Business-Type	
	<u>Activities</u>	
	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash	\$ 9,745	\$ 12,405
Accounts receivable, net of allowance for uncollectible accounts	<u>53,736</u>	<u>33,353</u>
Total Current Assets	<u>63,481</u>	<u>45,758</u>
Capital Assets		
Utility system in service	2,526,752	2,526,752
Accumulated depreciation	<u>(942,815)</u>	<u>(897,104)</u>
Total Capital Assets	<u>1,583,937</u>	<u>1,629,648</u>
Total Assets	<u>\$ 1,647,418</u>	<u>\$ 1,675,406</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	<u>\$ -</u>	<u>\$ 1,155</u>
Net Assets		
Invested in capital assets	1,583,937	1,629,648
Unrestricted	<u>63,481</u>	<u>44,603</u>
Total Net Assets	<u>1,647,418</u>	<u>1,674,251</u>
Total Liabilities and Net Assets	<u>\$ 1,647,418</u>	<u>\$ 1,675,406</u>

See accompanying independent auditors' report and notes.

TOWN OF VONORE, TENNESSEE
SEWER FUND
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS
JUNE 30, 2012
With Comparative Totals for the Year Ended June 30, 2011

	Business-Type	
	<u>Activities</u>	
	<u>2012</u>	<u>2011</u>
OPERATING REVENUE		
Service charges	\$ 196,524	\$ 168,159
Forfeited discounts	-	1,311
Tap fees	<u>1,875</u>	<u>375</u>
Total Operating Revenue	<u>198,399</u>	<u>169,845</u>
OPERATING EXPENSES		
Utilities	13,206	6,670
Billing services	6,396	5,629
Repair and maintenance	4,668	2,753
Waste treatment contract	189,229	192,539
Other professional services	143	5,578
Depreciation	<u>45,711</u>	<u>45,711</u>
Total Operating Expenses	<u>259,353</u>	<u>258,880</u>
(Loss) from Operations	<u>(60,954)</u>	<u>(89,035)</u>
NON-OPERATING REVENUE		
Interest income	<u>28</u>	<u>2</u>
(Loss) Before Transfer	(60,926)	(89,033)
TRANSFER FROM GENERAL FUND	<u>34,093</u>	<u>70,000</u>
Change in Net Assets	(26,833)	(19,033)
NET ASSETS, JUNE 30, 2011	<u>1,674,251</u>	<u>1,693,284</u>
NET ASSETS, JUNE 30, 2012	<u><u>\$ 1,647,418</u></u>	<u><u>\$ 1,674,251</u></u>

See accompanying independent auditors' report and notes.

TOWN OF VONORE, TENNESSEE
SEWER FUND
STATEMENT OF CASH FLOWS
JUNE 30, 2012
With Comparative Totals for the Year Ended June 30, 2011

	Business-Type	
	<u>2012</u>	<u>2011</u>
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash received from customers	\$ 161,927	\$ 163,210
Cash paid to suppliers	<u>(198,708)</u>	<u>(224,945)</u>
Net Cash (Used) by Operating Activities	(36,781)	(61,735)
 CASH PROVIDED (USED) BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfer from General Fund	34,093	70,000
 CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
Interest received	<u>28</u>	<u>2</u>
Net Increase (Decrease) in Cash	(2,660)	8,267
CASH AND CASH EQUIVALENTS AT JUNE 30, 2011	<u>12,405</u>	<u>4,138</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 2012	<u><u>\$ 9,745</u></u>	<u><u>\$ 12,405</u></u>
 RECONCILIATION OF (LOSS) FROM OPERATIONS TO NET CASH (USED) BY OPERATING ACTIVITIES		
(Loss) from operations	\$ <u>(60,954)</u>	\$ <u>(89,033)</u>
Adjustments to reconcile (loss) from operations		
Net cash (used by operating activities)		
Depreciation	45,711	45,711
Change in assets and liabilities:		
Accounts receivable	(20,384)	(6,639)
Accounts payable	<u>(1,154)</u>	<u>(11,774)</u>
	<u>24,173</u>	<u>27,298</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (36,781)</u></u>	<u><u>\$ (61,735)</u></u>

See accompanying independent auditors' report and notes.

TOWN OF VONORE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – DESCRIPTION OF ORGANIZATION

The Town of Vonore, Tennessee (the Town) was incorporated in 1965 under the provisions of the State of Tennessee. The Town operates under a Mayor and Board of Alderman form of government and provides the following services as authorized by its charter; public safety (police and fire, streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, sewer and general administrative services).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town, for financial reporting purposes, includes all funds relevant to the operations of the Town of Vonore, Tennessee. The financial statements presented herein do not include agencies which have been formed under applicable state laws, or separate and distinct units of government apart from the Town of Vonore, Tennessee. As of June 30, 2012, and for the year then ended, the Town had no discretely presented component units which were required to be included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements, the statement of net assets and the statement of activities, report information on all of the nonfiduciary activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment program revenue including charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reposted instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

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

TOWN OF VONORE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

All trade receivables are shown net of an allowance for uncollectible accounts. Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises in Tennessee, this date is January 1st, and is referred to as the lien date. Revenue from property taxes, however, is recognized in the period for which the taxes are levied, which for the Town is October 1st of the ensuing fiscal year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes, is reported as deferred revenue.

Property taxes receivable are also reported as of June 30 for the taxes that are levied and uncollected during the current fiscal year as well as the previous eight fiscal years. These property taxes receivable are presented on the fund balance sheet with offsetting deferred revenue to reflect the amounts not available as of June 30. Property taxes collected later than 60 days after year end are not considered available and are reported as deferred revenue. An allowance for uncollectible taxes represents the estimated amount of delinquent taxes receivable that will not be collected.

The Town reports the following major governmental funds:

General Fund – The General Fund is the Town’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Drug Fund – The Drug Fund is used to account for costs associated with drug investigation, control, and officer’s training.

The Town reports the following major proprietary fund:

Sewer Fund – The Sewer Fund accounts for the activities of the sewer department, which operates and maintains a sewer collection system for residents and businesses on a user charge basis. All activities necessary to provide these services are accounted for in such a manner as to show profit or loss similar to comparable private enterprises.

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

TOWN OF VONORE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Private sector standards of accounting and financial reporting issued prior to December 31, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The Town has elected not to follow private-sector guidance.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Town's proprietary fund is charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Implementation of New Accounting Principles

During the fiscal year ended June 30, 2011, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types.

Governmental fund equity is classified as fund balance. Under this statement fund balances are classified into the following categories:

- a. Nonspendable fund balances comprise those amounts that are legally or contractually required to be maintained intact.
- b. Restricted fund balances comprise those amounts constrained to be used for a specific purpose by external parties, constitution provisions or enabling legislation.
- c. Committed fund balances comprise those amounts constrained by the government itself using its highest level of authority (commission) using its highest level of formal action (ordinance).

This amount can also include amounts needed to balance the next year's budget when the budget is approved by ordinance.

(Continued)

TOWN OF VONORE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Implementation of New Accounting Principles (Continued)

- d. Assigned fund balances are amounts intended to be used for a specific purpose by the governing body through action other than the highest level of authority or an official expressly authorized by the governing body. The Mayor and Board of Alderman have retained the authority to assign funds for specified purposes.
- e. Unassigned fund balances are any amounts other than those described above and are available for any purpose.

The Town has no formal policy with regard to classifying expenditures among the various classifications. Thus, the default provision under GASB Statement 54 apply expenditures first to restricted resources then to committed resources, then to assigned resources, and finally to unassigned resources.

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting reporting purposes into the following three net asset groups:

a. Invested in capital assets, net of related debt

This category includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Invested in capital assets, net of related debt at June 30, 2012 and June 30, 2011 has been calculated as follows:

	<u>2012</u>	<u>2011</u>
Government Activities:		
Capital assets	\$ 1,472,500	\$ 1,471,327
Accumulated depreciation	(959,004)	(857,513)
Principal balance on long-term debt	(317,545)	(358,545)
	<u>\$ 195,951</u>	<u>\$ 255,269</u>
Sewer Fund:		
Capital assets	\$ 2,526,752	\$ 2,526,752
Accumulated depreciation	(942,815)	(897,104)
	<u>\$ 1,583,937</u>	<u>\$ 1,629,648</u>

(Continued)

TOWN OF VONORE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

b. Restricted

This category includes net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the Town pursuant to those stipulations or that expire by passage of time. Net assets of the Drug Fund are classified as restricted assets because their use is limited to drug investigation, control, and officers' training. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

c. Unrestricted

This category includes net assets that are not subject to externally imposed stipulations and that do not meet the definition of "restricted" or "invested in capital assets, net of related debt". Unrestricted net assets may be designated for specific purposes by action of management or the Board of Mayor and Aldermen or may otherwise be limited by contractual agreements with outside parties.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns on the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

Compensated Absences

The Town's policy permits employees to accumulate earned but unused annual (vacation) leave and sick days. Annual leave and sick days may accumulate to a maximum of thirty (30) days each for any employee. Upon termination, employees receive payment for accumulated annual leave days. All annual leave is accrued when incurred in the government-wide and proprietary financial statements.

Budgets and Budgetary Accounting

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

(Continued)

TOWN OF VONORE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Budgets and Budgetary Accounting (Continued)

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget – General Fund and Drug Fund present a comparison of budgetary data to actual results for which annual operating budgets are legally adopted.

Allowance for Uncollectible Accounts

Allowance for uncollectible accounts receivable is provided based upon historical trends. Allowances for uncollectible accounts in the Sewer Fund at June 30, 2012 was \$4,500 and at June 30, 2011, was \$4,500, respectively.

NOTE 3 – CASH AND INVESTMENTS

Cash and cash equivalents consist of cash, savings, and short-term certificates of deposit with an original maturity of three months or less.

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 association, and the state treasurer's local 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. Although the Town may participate in the state investment pool, it elects not to. Town policy dictates that collateral meet certain requirements, such as, be deposited in an institution which participates in the state collateral pool or be deposited in an escrow account in another institution for the benefit of the Town and must be a minimum of 105% of the value of the deposits placed in the institution less the amount protected by federal deposit insurance.

The state collateral pool is administered by the State of Tennessee. Members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional agreement, public fund accounts covered by the pool are considered to be classified as category one insured credit risk in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including repurchase agreements) and Reserve Repurchase Agreements*.

All cash and cash equivalent balances at June 30, 2012 and 2011 were either insured through the Federal Deposit Insurance Corporation or collateralized with securities held by the Town's agent in the Town's name.

(Continued)

TOWN OF VONORE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Tennessee Municipal League Insurance Risk Pool and pays an annual premium to the pool for its worker's compensation, general liability coverage, destruction of property and employee dishonesty.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three years.

The pooling agreement allows the pool to make additional assessments or refund surplus revenue to the Town. It is not possible to estimate the amount of such additional assessments or refunds.

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2012 and 2011 are as follows:

	<u>Balance</u> <u>07/01/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/12</u>
Governmental Activities				
Capital Assets being depreciated				
Computer equipment	\$ 33,919	\$ -	\$ -	\$ 33,919
Furniture and fixtures	37,448	1,900	-	39,348
Land and buildings	266,097	-	-	266,097
Miscellaneous equipment	365,376	19,140	(19,866)	364,650
Vehicles	<u>768,487</u>	<u>-</u>	<u>-</u>	<u>768,487</u>
	<u>1,471,327</u>	<u>21,040</u>	<u>(19,866)</u>	<u>1,472,501</u>
Accumulated Depreciation				
Computer equipment	(23,128)	(2,735)	-	(25,863)
Furniture and fixtures	(29,759)	(513)	-	(30,272)
Buildings	(73,221)	(5,518)	-	(78,739)
Miscellaneous equipment	(236,132)	(29,033)	17,866	(247,299)
Vehicles	<u>(495,273)</u>	<u>(81,558)</u>	<u>-</u>	<u>(576,831)</u>
	<u>(857,513)</u>	<u>(119,357)</u>	<u>17,866</u>	<u>(959,004)</u>
Total	<u>\$ 613,814</u>	<u>\$ (98,317)</u>	<u>\$ (2,000)</u>	<u>\$ 513,497</u>

(Continued)

TOWN OF VONORE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 – CAPITAL ASSETS (Continued)

Depreciation expense is charged to the various governmental functions as follows:

	Balance <u>06/30/12</u>
General government	\$ 8,768
Public safety	81,557
Highways and streets	<u>29,032</u>
	<u>\$ 119,357</u>

	Balance <u>07/01/11</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>6/30/12</u>
Business-Type Activities				
Capital assets being depreciated				
Utility Plant	\$ 2,526,752	\$ -	\$ -	\$ 2,526,752
Accumulated depreciation				
Utility Plant	<u>(897,104)</u>	<u>(45,711)</u>	<u>-</u>	<u>(942,815)</u>
	<u>\$ 1,629,648</u>	<u>\$ (45,711)</u>	<u>\$ -</u>	<u>\$ 1,583,937</u>

NOTE 6 – PENSION PLAN

Plan Description

Employees of the Town are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administrated by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of his duties.

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 statutes 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 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.

(Continued)

TOWN OF VONORE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 – PENSION PLAN (Continued)

Plan Description (Continued)

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://tn.gov/treasury/tcrs/PS/>.

Funding Policy

The Town requires employees to contribute 5.0% of earnable compensation.

The Town is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012 was 8.23% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement of the Town is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2012, the Town’s annual pension cost of \$48,815 to TCRS was equal to the Town’s required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% 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% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% 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’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 14 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of AFC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 48,815	100%	\$ 0.00
6/30/11	49,620	100%	0.00
6/30/10	46,352	100%	0.00
6/30/09	57,265	100%	0.00
6/30/08	61,319	100%	0.00
6/30/07	60,544	100%	0.00

(Continued)

TOWN OF VONORE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 – PENSION PLAN (Continued)

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 90.32% funded. The actuarial accrued liability for benefits was \$0.85 million, and the actuarial value of assets was \$0.77 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.08 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.56 million, and the ratio of the UAAL to the covered payroll was 14.70%.

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

(Dollar amounts in thousands)

Actuarial Valuation Date__	Actuarial Value of Plan Assets (a)	Actuarial 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)
7/01/11	\$ 770	\$ 853	\$ 83	90.32%	\$ 562	14.70%
7/01/09	\$ 516	\$ 606	\$ 91	85.05%	\$ 661	13.70%
7/01/07	\$ 306	\$ 404	\$ 98	75.74%	\$ 678	14.45%

NOTE 7 – LONG-TERM DEBT

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

	Balance 07/01/11	Proceeds	Payment	Balance 06/30/12
Tennessee Municipal Bond Fund Loan	\$ 358,545	\$ -	\$ 41,000	\$ 317,545

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

Governmental Activities:

General Fund

Tennessee Municipal Bond Fund Loan, SunTrust Bank Trustee for TN Pooled Loan Program (1997), variable interest rate payable, principal installments due annually in varying amounts, ranging from \$44,000 in 2013, to \$57,000 in 2018	\$ 317,545
Less current maturities	<u>(44,000)</u>
	<u>\$ 273,545</u>

(Continued)

TOWN OF VONORE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 – LONG-TERM DEBT (Continued)

Maturities of long-term debt as of June 30, 2012 are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 44,000	\$ 10,193	\$ 54,193
2014	46,000	8,781	54,781
2015	49,000	7,304	56,304
2016	51,000	5,731	56,731
2017	<u>54,000</u>	<u>4,094</u>	<u>58,094</u>
Subtotal	<u>244,000</u>	<u>36,103</u>	<u>280,103</u>
2018	57,000	2,361	59,361
2019	<u>16,545</u>	<u>531</u>	<u>17,076</u>
Subtotal	<u>73,545</u>	<u>2,892</u>	<u>76,437</u>
Totals	<u>\$ 317,545</u>	<u>\$ 38,995</u>	<u>\$ 356,540</u>

NOTE 8 – FUND BALANCE

At June 30, 2012, fund balance is classified as follows:

	<u>Major Governmental Funds</u>		<u>Totals</u>
	<u>General Fund</u>	<u>Drug Fund</u>	
Restricted to:			
Drug Enforcement	\$ -	\$ 7,428	\$ 7,428
Unassigned	<u>297,644</u>	<u>-</u>	<u>297,644</u>
	<u>\$ 297,644</u>	<u>\$ 7,428</u>	<u>\$ 305,072</u>

NOTE 9 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2012, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is February 15, 2013, which is the date on which the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF VONORE, TENNESSEE
PENSION PLAN SUPPLEMENTARY INFORMATION
June 30, 2012

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/01/11	\$ 770	\$ 853	\$ 83	90.32%	\$ 562	14.70%
7/01/09	\$ 516	\$ 606	\$ 91	85.05%	\$ 661	13.70%
7/01/07	\$ 306	\$ 404	\$ 98	75.74%	\$ 678	14.45%

OTHER SUPPLEMENTARY INFORMATION

TOWN OF VONORE, TENNESSEE
PROPERTY TAXES RECEIVABLE
June 30, 2012

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance 07/01/11</u>	<u>Taxes Levied</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Balance 06/30/12</u>
2012	\$.37	\$ 157,524,788	\$ 588,061	\$ -	\$ 588,061	\$ -	\$ -	\$ 588,061
2011	.37	153,697,830	573,754	573,754	-	(7,595)	549,883	16,276
2010	.37	142,517,034	532,034	22,295	-	(113)	16,093	6,089
2009	.37	148,073,670	552,761	16,855	-	(478)	11,378	4,999
2008	.37	146,024,299	545,106	1,236	-	(183)	23	1,029
2007	.45	116,024,493	552,128	-	-	-	-	-
2006	.45	124,067,765	558,319	-	-	-	-	-
				<u>\$ 614,139</u>	<u>\$ 588,061</u>	<u>\$ (8,369)</u>	<u>\$ 577,377</u>	<u>\$ 616,454</u>

TOWN OF VONORE, TENNESSEE
INSURANCE COVERAGE
June 30, 2012

<u>Description</u>	<u>Amount Of Coverage</u>
TML Risk Management Pool	
Property:	
Building and Personal Property	\$ 2,045,539
Electronic Data Equipment	19,232
Mobile Equipment	263,816
Comprehensive General Liability:	
General Liability and Auto Liability and Physical Damage:	
Bodily Injury per Person	300,000
Bodily Injury per Occurrence	700,000
Property Damage per Occurrence	100,000
Each Other Loss per Occurrence	2,000,000
Errors and Omissions	2,000,000
Workers' Compensation and Employer's Liability	
Per Accident	1,000,000
Policy Limit	1,000,000
Each Employee	1,000,000

TOWN OF VONORE, TENNESSEE
UTILITY RATES AND METERED CUSTOMERS – SEWER FUND
June 30, 2012

All metered users:

First 2,000 gallons (minimum billing)	\$	19.45
Over 2,000 gallons (per 1,000 gallons)		6.50
Well water customers		
Flat rate per month		19.45
Number of metered customers		325

**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***



JOE S. INGRAM, CPA (1948 – 2011)
LONAS D. OVERHOLT, CPA
ROBERT L. BEAN, CPA

428 MARILYN LANE
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February 15, 2013

**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***

To the Honorable Mayor and
Board of Alderman
Town of Vonore, Tennessee
Vonore, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Vonore, Tennessee as of and for the year ended June 30, 2012, which collectively comprise the Town of Vonore, Tennessee's basic financial statements and have issued our report thereon dated February 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Vonore, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Vonore, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Vonore, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Mayor and Council and is not intended to be and should not be used by anyone other than these specified parties.

Ingram, Overholt & Bean, P.C.