

**TOWN OF WHITEVILLE, TENNESSEE**

**BASIC FINANCIAL STATEMENTS**  
**AND ACCOMPANYING INFORMATION**

**June 30, 2012**

**JONES & JONES**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**OF BOONEVILLE, P.A.**  
**BOONEVILLE, MISSISSIPPI 38829-0250**

**TOWN OF WHITEVILLE, TENNESSEE**  
**Basic Financial Statements**  
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**TOWN OF WHITEVILLE, TENNESSEE**  
**Roster of Publicly Elected Officials and Management Officials**  
**June 30, 2012**  
**(Unaudited)**

**PUBLICLY ELECTED OFFICIALS**

**TITLE**

James Bellar	Mayor
Sidney Woods	Aldersperson - Vice Mayor
Jimmie Lee Robertson	Aldersperson
Emily Rosson	Aldersperson
Charles Phillips	Aldersperson
Chandra Johnson	Aldersperson
Tommy Turner	Aldersperson

**MANAGEMENT OFFICIALS**

Patricia Randolph	Town Recorder
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**JONES & JONES**  
CERTIFIED PUBLIC ACCOUNTANTS  
OF BOONEVILLE PA

Kermit V Jones Jr., C.P.A.      Christopher D. Jones, C.P.A.      Jeremy D. Jones, C.P.A.      David W. Jones, C.P.A.

Independent Auditors' Report

To the Mayor and Board of Alderpersons  
Town of Whiteville, Tennessee

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

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

Because the Town does not maintain an annual inventory of capital assets, we were unable to form an opinion regarding the existence of and the amounts at which capital assets (net of accumulated depreciation) are recorded in the accompanying Statement 1 – Statement of Net Assets (governmental activities) at June 30, 2012 (stated at \$1,276,664) and the amounts at which the related depreciation expense (stated at \$74,755) is recorded in the accompanying Statement 2 – Statement of Activities (governmental activities).

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the existence of capital assets and related depreciation of the governmental activities as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Whiteville, Tennessee, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General 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 December 28, 2012, on our consideration of the Town of Whiteville, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 15 and the municipal employees' pension fund information on page 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Whiteville, Tennessee's financial statements as a whole. The Roster of Publicly Elected Officials and Management Officials, combining and individual nonmajor fund financial statements and schedules, and other supplemental information listed in the table of contents as Schedules 2 through 14 are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards and state financial assistance and other supplemental information listed in the table of contents as Schedules 2 through 8 and 13 and 14 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other supplementary information listed in the table of contents as Roster of Publicly Elected Officials and Management Officials and Schedules 9 through 12 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Sincerely yours,



JONES & JONES  
Certified Public Accountants  
of Booneville, P.A.

December 28, 2012

TOWN OF WHITEVILLE, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**Financial Highlights**

The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$6,321,791 (net assets). Of this amount, \$1,609,451 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets increased by \$26,602.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$671,562, a decrease of \$145,764 in comparison with the prior year. Approximately 74.2 percent of this total amount, or \$498,033, is available for spending at the government's discretion (unassigned fund balance).

At the close of the current fiscal year, unassigned fund balance for the general fund was \$498,033 or 29.9 percent of total general fund expenditures.

The Town had fixed asset additions of \$174,640 during the current year. Of this amount, \$174,640 occurred in the general fund.

The Town's total debt decreased by \$50,876 (approximately 12.5 percent) during the current fiscal year. No new debt was issued during the current year.

The Town's property tax millage rate was 77 mills for the 2011 taxes and 87 mills for the 2012 taxes.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise 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.

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

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

## **Overview of the Financial Statements – continued**

**Government-wide financial statements – continued.** The statement of activities presents information showing how the government'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 (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, parks and recreation, and community development. The business-type activities of the Town include water and sewer operations and solid waste collection operations.

The government-wide financial statements include not only the Town itself (known as the primary government), but also a legally separate authority—the Town of Whiteville Industrial Development Board, the Planning Committee Board, the Library Board, and the Cemetery Board. These boards, although legally separate, function for all practical purposes as a department of the Town; therefore, they have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 16 – 17 of this report.

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as 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 governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

## Overview of the Financial Statements – continued

**Governmental funds – continued.** The Town maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its general fund and its special revenue funds. Budgetary comparison schedules for the general fund has been provided in the financial statements on pages 29 – 35 to demonstrate compliance with those budgets. The Town had no major special revenue fund which required budget comparison schedules. The Town also presents non-major governmental fund budgetary comparison schedules on page 79 as required by the State of Tennessee Department of Audit *Audit Manual*.

The basic governmental fund financial statements can be found on pages 18 – 21 of this report.

**Proprietary funds.** The Town maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer operations and its solid waste collection operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations and the sanitation operations. The water and sewer fund is considered to be a major fund of the Town. The sanitation fund is considered to be a non-major fund of the Town.

The basic proprietary fund financial statements can be found on pages 22 – 27 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 28 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36 – 64 of this report.

## **Overview of the Financial Statements – continued**

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to the municipal employees pension fund. Required supplementary information can be found on page 65 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 66 – 67 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Whiteville, assets exceeded liabilities by \$6,321,791 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets (70.8 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (approximately 3.7% or \$236,935) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (approximately 25.5% or \$1,609,451) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net assets increased by \$26,602 during the current fiscal year. This increase was mainly due to being awarded a settlement for back natural gas franchise fees and in lieu taxes of \$84,360 and \$1,250. There were transfers during the current year of \$9,454.

**Government-wide Financial Analysis - continued**

**Town of Whiteville, Tennessee's Net Assets**

	Governmental Activities				Business-Type Activities				Total			
	2012	2011	Increase (Decrease)	% Change	2012	2011	Increase (Decrease)	% Change	2012	2011	Increase (Decrease)	% Change
	Current and other assets	\$ 1,225,169	\$ 1,248,131	\$ (22,962)	-1.8%	\$ 1,014,472	\$ 988,147	\$ 26,325	2.7%	\$ 2,239,641	\$ 2,236,278	\$ 3,363
Capital assets	1,276,664	1,176,779	99,885	8.5%	3,563,326	3,706,261	(142,935)	-3.9%	4,839,990	4,883,040	(43,050)	-0.9%
<b>Total Assets</b>	<b>2,501,833</b>	<b>2,424,910</b>	<b>76,923</b>	<b>3.2%</b>	<b>4,577,798</b>	<b>4,694,408</b>	<b>(116,610)</b>	<b>-2.5%</b>	<b>7,079,631</b>	<b>7,119,318</b>	<b>(39,687)</b>	<b>-0.6%</b>
Long-term liabilities outstanding	109,959	142,056	(32,097)	-22.6%	271,808	286,982	(15,174)	-5.3%	381,767	429,038	(47,271)	-11.0%
Other liabilities	309,640	307,778	1,862	0.6%	66,433	87,313	(20,880)	-23.9%	376,073	395,091	(19,018)	-4.8%
<b>Total Liabilities</b>	<b>419,599</b>	<b>449,834</b>	<b>(30,235)</b>	<b>-6.7%</b>	<b>338,241</b>	<b>374,295</b>	<b>(36,054)</b>	<b>-9.6%</b>	<b>757,840</b>	<b>824,129</b>	<b>(66,289)</b>	<b>-8.0%</b>
Net assets												
Investment in capital assets, net of related debt	1,177,617	1,045,048	132,569	12.7%	3,297,788	3,424,403	(126,615)	-3.7%	4,475,405	4,469,451	5,954	0.1%
Restricted	148,880	144,828	4,052	2.8%	88,055	93,586	(5,531)	-5.9%	236,935	238,414	(1,479)	-0.6%
Unrestricted	755,737	785,200	(29,463)	-3.8%	853,714	802,124	51,590	6.4%	1,609,451	1,587,324	22,127	1.4%
<b>Total Net Assets</b>	<b>\$ 2,082,234</b>	<b>\$ 1,975,076</b>	<b>\$ 107,158</b>	<b>5.4%</b>	<b>\$ 4,239,557</b>	<b>\$ 4,320,113</b>	<b>\$ (80,556)</b>	<b>-1.9%</b>	<b>\$ 6,321,791</b>	<b>\$ 6,295,189</b>	<b>\$ 26,602</b>	<b>0.4%</b>

**Town of Whiteville, Tennessee's Changes in Net Assets**

	Governmental Activities				Business-Type Activities				Total			
	2012	2011	Increase (Decrease)	% Change	2012	2011	Increase (Decrease)	% Change	2012	2011	Increase (Decrease)	% Change
	Revenue											
Program Revenues												
Charges for services	\$ 129,339	\$ 184,175	\$ (54,836)	-29.8%	\$ 728,502	\$ 742,076	\$ (13,574)	-1.8%	\$ 857,841	\$ 926,251	\$ (68,410)	-7.4%
Operating grants and contributions	325,076	342,478	(17,402)	-5.1%	-	-	-	0.0%	325,076	342,478	(17,402)	-5.1%
Capital grants and contributions	172,991	15,008	157,983	1052.7%	800	-	800	0.0%	173,791	15,008	158,783	1058.0%
General Revenues												
Taxes												
Property taxes and late fees	197,662	213,067	(15,405)	-7.2%	-	-	-	0.0%	197,662	213,067	(15,405)	-7.2%
Sales tax	537,869	446,885	90,984	20.4%	-	-	-	0.0%	537,869	446,885	90,984	20.4%
Beer tax	80,754	83,023	(2,269)	-2.7%	-	-	-	0.0%	80,754	83,023	(2,269)	-2.7%
Franchise tax	107,921	23,926	83,995	351.1%	-	-	-	0.0%	107,921	23,926	83,995	351.1%
In lieu taxes	54,835	52,218	2,617	5.0%	-	-	-	0.0%	54,835	52,218	2,617	5.0%
Income and excise tax	3,235	3,171	64	2.0%	-	-	-	0.0%	3,235	3,171	64	2.0%
Unauthorized substance taxes	275	-	275	0.0%	-	-	-	0.0%	275	-	275	0.0%
Investment income	5,403	1,984	3,419	172.3%	2,560	4,094	(1,534)	-37.5%	7,963	6,078	1,885	31.0%
Miscellaneous	11,273	21,832	(10,559)	-48.4%	3,696	2,115	1,581	74.8%	14,969	23,947	(8,978)	-37.5%
<b>Total revenue</b>	<b>\$ 1,626,633</b>	<b>\$ 1,387,767</b>	<b>\$ 238,866</b>	<b>17.2%</b>	<b>\$ 735,558</b>	<b>\$ 748,285</b>	<b>\$ (12,727)</b>	<b>-1.7%</b>	<b>\$ 2,362,191</b>	<b>\$ 2,136,052</b>	<b>\$ 226,139</b>	<b>10.6%</b>

**Government-wide Financial Analysis - continued**

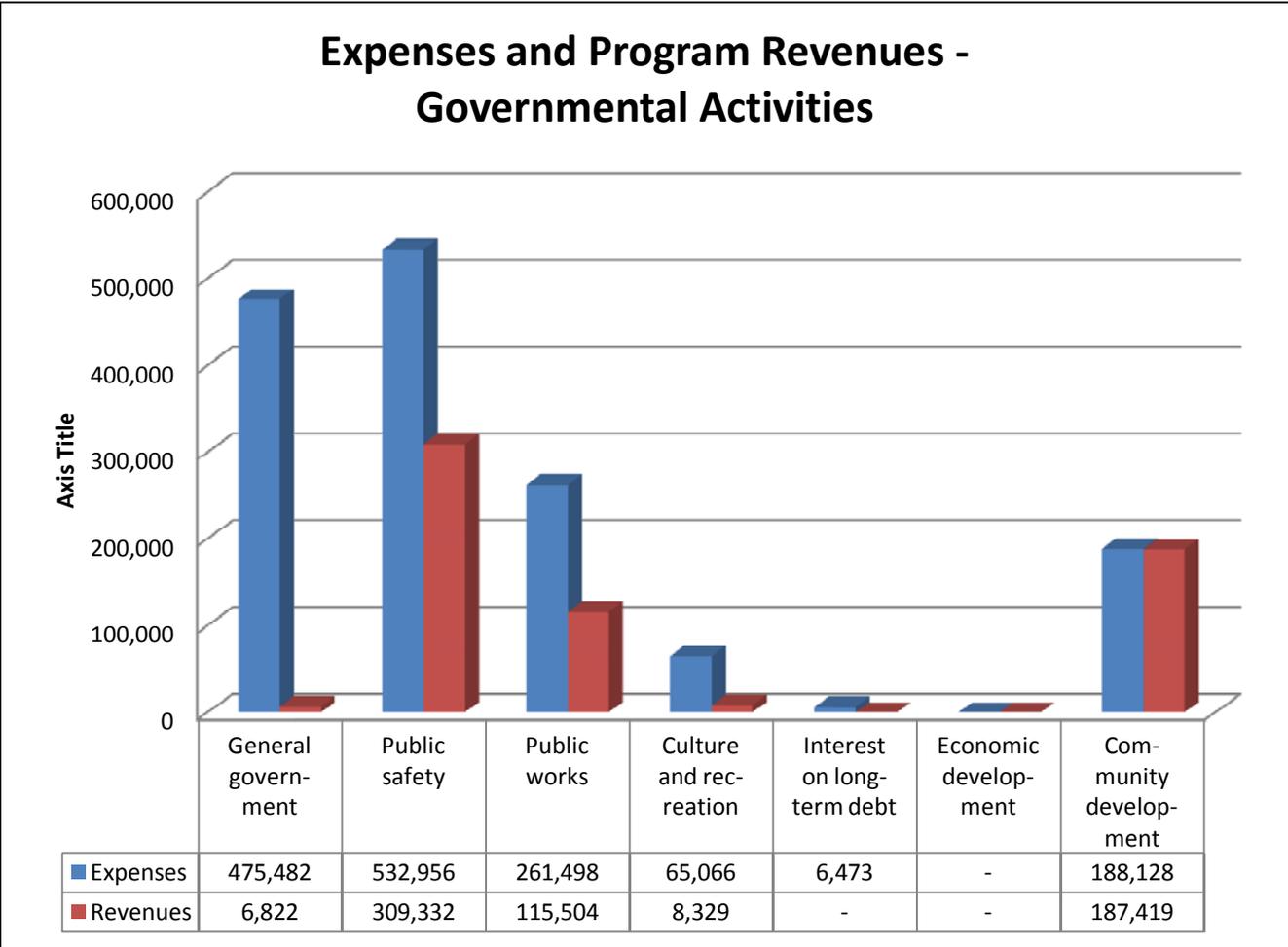
**Town of Whiteville, Tennessee's Changes in Net Assets - continued**

	Governmental Activities				Business-Type Activities				Total			
	2012	2011	Increase (Decrease)	% Change	2012	2011	Increase (Decrease)	% Change	2012	2011	Increase (Decrease)	% Change
	<b>Expenses:</b>											
General government	\$ 475,482	\$ 401,164	\$ 74,318	18.5%	\$ -	\$ -	\$ -	0.0%	\$ 475,482	\$ 401,164	\$ 74,318	18.5%
Public safety	532,956	566,002	(33,046)	-5.8%	-	-	-	0.0%	532,956	566,002	(33,046)	-5.8%
Public works	261,498	275,511	(14,013)	-5.1%	-	-	-	0.0%	261,498	275,511	(14,013)	-5.1%
Culture and recreation	65,066	73,677	(8,611)	-11.7%	-	-	-	0.0%	65,066	73,677	(8,611)	-11.7%
Economic development	-	25,406	(25,406)	-100.0%	-	-	-	0.0%	-	25,406	(25,406)	-100.0%
Community development	188,128	201,025	(12,897)	-6.4%	-	-	-	0.0%	188,128	201,025	(12,897)	-6.4%
Interest	6,473	5,960	513	8.6%	-	-	-	0.0%	6,473	5,960	513	8.6%
Water and sewer	-	-	-	0.0%	751,414	777,772	(26,358)	-3.4%	751,414	777,772	(26,358)	-3.4%
Sanitation	-	-	-	0.0%	54,572	54,192	380	0.7%	54,572	54,192	380	0.7%
<b>Total expenses</b>	<b>1,529,603</b>	<b>1,548,745</b>	<b>(19,142)</b>	<b>-1.2%</b>	<b>805,986</b>	<b>831,964</b>	<b>(25,978)</b>	<b>-3.1%</b>	<b>2,335,589</b>	<b>2,380,709</b>	<b>(45,120)</b>	<b>-1.9%</b>
<b>Increase (decrease) in net assets</b>												
before contributions and transfers	97,030	(160,978)	258,008	-160.3%	(70,428)	(83,679)	13,251	-15.8%	26,602	(244,657)	271,259	-110.9%
Gain on disposition of fixed assets	-	39,185	(39,185)	-100.0%	-	-	-	0.0%	-	39,185	(39,185)	-100.0%
Transfers	10,128	6,881	3,247	47.2%	(10,128)	(6,881)	(3,247)	47.2%	-	-	-	0.0%
<b>Increase (decrease) in net assets</b>	<b>107,158</b>	<b>(114,912)</b>	<b>222,070</b>	<b>-193.3%</b>	<b>(80,556)</b>	<b>(90,560)</b>	<b>10,004</b>	<b>-11.0%</b>	<b>26,602</b>	<b>(205,472)</b>	<b>232,074</b>	<b>-112.9%</b>
Net assets--beginning of year	1,975,076	2,089,988	(114,912)	-5.5%	4,320,113	4,410,673	(90,560)	-2.1%	6,295,189	6,500,661	(205,472)	-3.2%
<b>Net assets--end of year</b>	<b>\$2,082,234</b>	<b>\$1,975,076</b>	<b>\$ 107,158</b>	<b>5.4%</b>	<b>\$4,239,557</b>	<b>\$4,320,113</b>	<b>\$ (80,556)</b>	<b>-1.9%</b>	<b>\$6,321,791</b>	<b>\$6,295,189</b>	<b>\$ 26,602</b>	<b>0.4%</b>

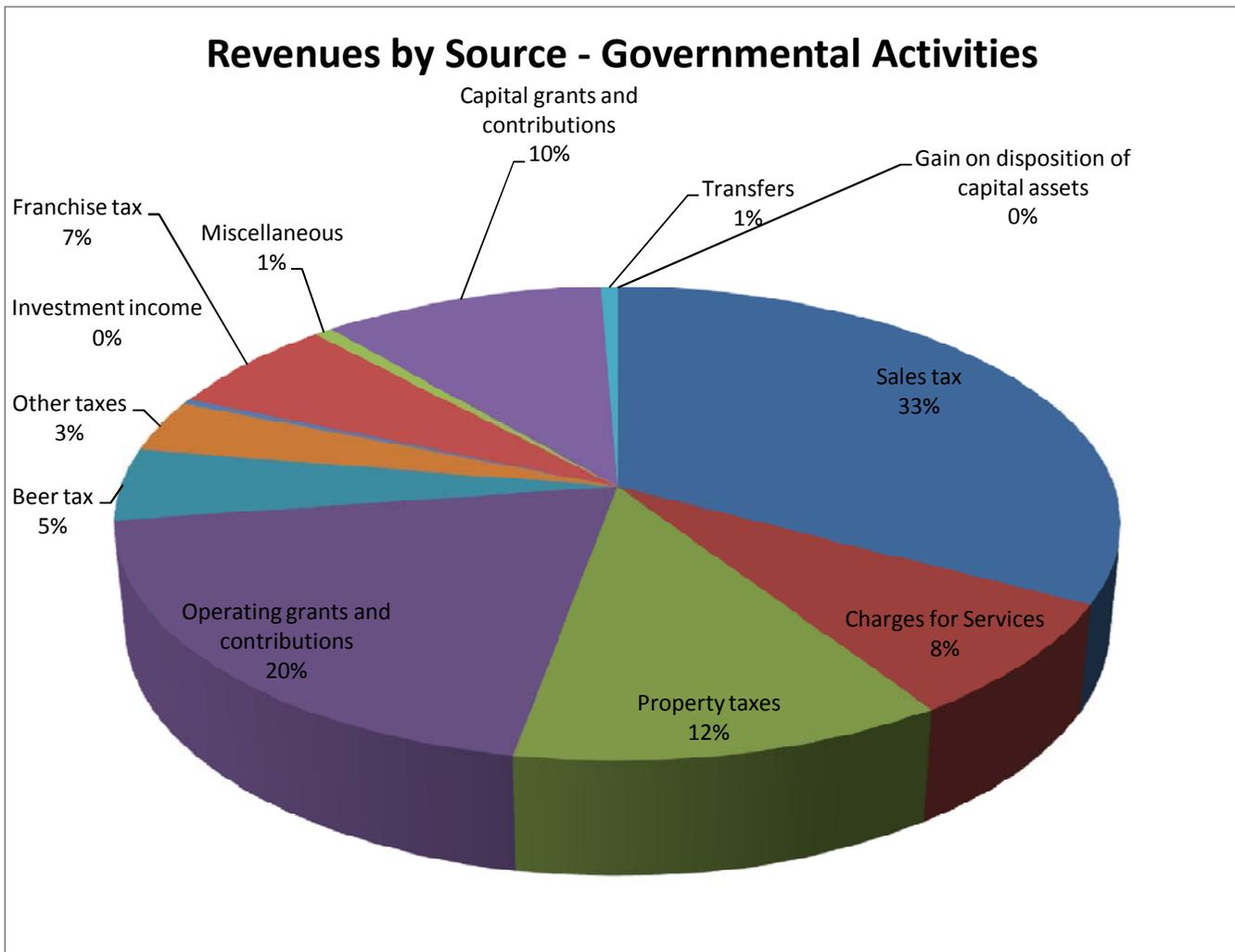
**Government-wide Financial Analysis- continued**

**Governmental activities.** Governmental activities increased the Town’s net assets by \$107,158. By comparison, governmental activities reported a decrease in net assets the previous fiscal year of approximately \$114,912. Key elements of the changes are as follows:

During the year the Town, through a lawsuit, recognized a one time revenue of \$85,610 for natural gas franchise and in lieu taxes. Sales tax revenues increased by \$90,984. Details of line item changes are shown on previous pages.



## Government-wide Financial Analysis- continued



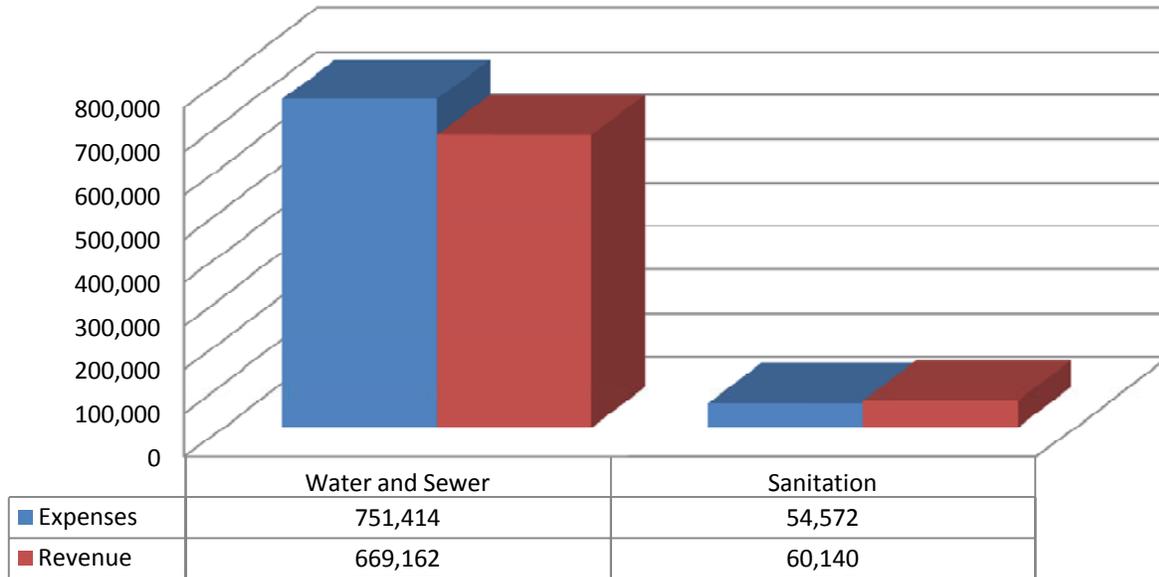
**Business-type activities.** Business-type activities decreased the Town's net assets by \$80,556 accounting for -302.8% of the total increase in the government's net assets for the current year. By comparison, business-type activities reported a decrease in net assets the previous fiscal year of \$90,560. Key elements of this decrease are as follows:

Charges for services for business-type activities decreased \$13,574 or roughly 1.8 percent, compared to the prior year.

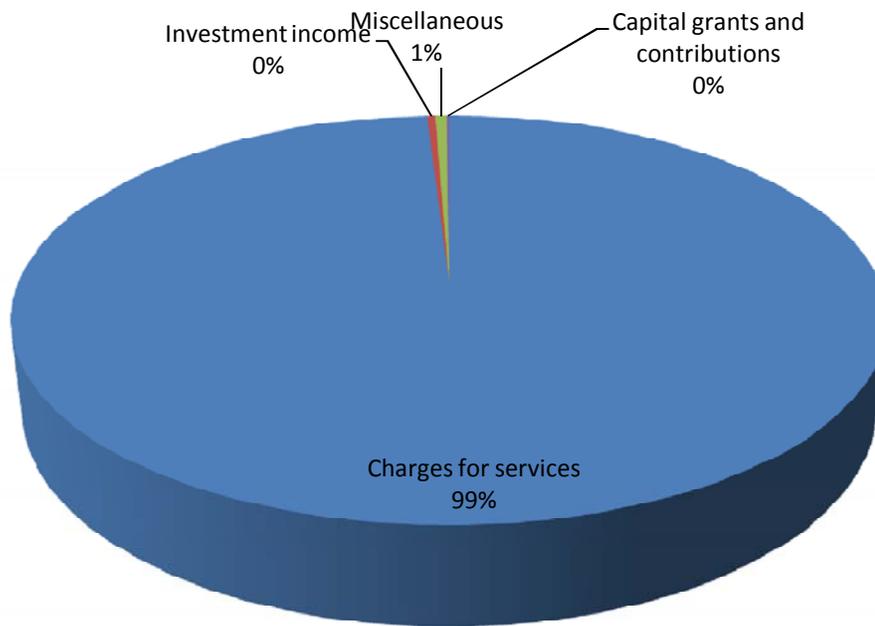
Expenses decreased approximately 3.1 percent or \$25,978 compared to the prior year.

Government-wide Financial Analysis- continued

### Expenses and Program Revenues - Business-Type Activities



### Revenues by Source - Business-Type Activities



## **Financial Analysis of the Government's Funds**

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

**Governmental funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing 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.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$671,562, a decrease of \$145,764, in comparison with the prior year. Approximately 74.2 percent of this total amount, or \$498,033, is available for spending at the government's discretion (unassigned fund balance).

The remainder of fund balance is either nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because the donation received for the perpetual care of the municipal cemetery in the amount of \$43,691 can never be spent. The Drug Fund in the amount of \$103,388 is restricted by State Law for drug awareness and enforcement expenditures. The general fund in the amount of \$26,450 is assigned to cover the subsequent budget excess of expenditures over revenue.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$498,033, while total fund balance was \$524,483. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 29.9 percent of total general fund expenditures.

The fund balance of the Town's general fund decreased by \$148,322 during the current fiscal year. This is primarily attributable to an increase in general fund expenditures of \$180,093.

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

Unrestricted net assets of the water and sewer and solid waste collection funds at the end of the year amounted to \$858,169 and -\$4,454, respectively. The water and sewer fund had a decrease in net assets for the year of \$75,996, whereas the waste collection fund had a decrease of \$4,560.

Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

## General Fund Budgetary Highlights

The Town made amendments totaling \$171,975 to its original budget. Details are provided in Statement 9 on pages 29-35.

During the year, general fund revenues and expenditures were more than the budgetary estimates, resulting in an increase in fund balance that was more than projected in the final budget fund balance by approximately \$250,103.

## Capital Asset and Debt Administration

**Capital assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounted to \$4,839,990 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, and park facilities. Capital assets also include roads, highways, bridges and other infrastructure acquired after July 1, 2001. The total decrease in the Town's investment in capital assets for the current fiscal year was approximately 0.9 percent (an approximate 8.5 percent increase for governmental activities and an approximate 3.9 percent decrease for business-type activities).

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

Fire truck	\$ 174,640
------------	------------

### Town of Whiteville, Tennessee's Capital Assets - Net

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 206,406	\$ 54,299	\$ 260,705
Infrastructure	179,792	-	179,792
Buildings and systems	468,081	3,490,878	3,958,959
Automotive and equipment	422,385	18,149	440,534
<b>Total</b>	<b>\$ 1,276,664</b>	<b>\$ 3,563,326</b>	<b>\$ 4,839,990</b>

Additional information on the Town's capital assets can be found in Note 6 on pages 50 - 51 of this report and in the long-term debt section below.

## Capital Asset and Debt Administration - continued

**Long-term debt.** At the end of the current fiscal year, the Town had total debt outstanding of \$356,820. Of this amount, \$188,273 comprises debt backed by the full faith and credit of the government. The remainder of the Town's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

### Town of Whiteville, Tennessee's Outstanding Debt General Obligation and Revenue Bonds

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
General obligation bonds	\$ 72,735	\$ 115,538	\$ 188,273
Lease agreements	18,547	-	18,547
Revenue bonds	-	150,000	150,000
<b>Total</b>	<b>\$ 91,282</b>	<b>\$ 265,538</b>	<b>\$ 356,820</b>

The Town's total debt decreased by \$50,876 (approximately 12.5 percent) during the current fiscal year. No new debt was issued during the current year.

The Town has not received a rating from Standard & Poor's.

State statute does not limit the amount of general obligation debt a governmental entity may issue. Other short-term debt must be approved by the State. Additional information on the Town's long-term debt can be found in Note 7 on pages 51 – 54 of this report.

### Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the Town's budget for the 2013 fiscal year:

The Town has two correctional facilities located inside its city limits. This favorably increases the amount of revenues the Town receives.

The Town does not expect its tax base to vary significantly from the current year.

Inflationary trends in the region compare favorably to national indices.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$498,033.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Recorder, P.O. Box 324, Whiteville, Tennessee 38075-0324.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Statement of Net Assets**  
**June 30, 2012**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 366,626	\$ 423,674	\$ 790,300
Restricted cash and cash equivalents	-	16,805	16,805
Investments - certificates of deposit	214,709	264,866	479,575
Restricted investments - certificates of deposit	-	75,000	75,000
Receivables (Net, where applicable, of allowances for uncollectibles)			
Accounts (net of allowances of \$3,361)	7,796	78,881	86,677
Property taxes (net of allowances of \$4,231)	258,573	-	258,573
Interest	794	419	1,213
Other (net of allowances of \$121,524)	36,013	-	36,013
Prepaid expenses	35,190	9,984	45,174
Inventory	2,950	-	2,950
Due from other governments	447,361	-	447,361
Due from other funds	(144,843)	144,843	-
Land and construction in progress	206,406	54,299	260,705
Other capital assets (net of accumulated depreciation)	1,070,258	3,509,027	4,579,285
	<u>2,501,833</u>	<u>4,577,798</u>	<u>7,079,631</u>
<b>LIABILITIES</b>			
Accounts payable	14,102	19,644	33,746
Accounts payable - fixed assets	7,765	-	7,765
Related party accounts payable	26,279	-	26,279
Accrued liabilities	9,818	4,916	14,734
Accrued interest	647	3,750	4,397
Due to other governments	7,325	-	7,325
Customer deposits	-	38,123	38,123
Deferred revenues	243,704	-	243,704
Long-term debt and capital leases			
Bonds and notes payable due within one year	29,423	16,907	46,330
Obligations under capital lease due within one year	7,620	-	7,620
Compensated absence due within one year	2,391	-	2,391
Bonds and notes payable due in more than one year	43,312	248,631	291,943
Obligations under capital lease due in more than one year	10,927	-	10,927
Compensated absense due in more than one year	16,286	6,270	22,556
	<u>419,599</u>	<u>338,241</u>	<u>757,840</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	1,177,617	3,297,788	4,475,405
Restricted for:			
Drug abuse prevention and enforcement	105,138	-	105,138
Permanent fund - perpetual care - nonexpendable	43,742	-	43,742
Debt service	-	88,055	88,055
Unrestricted	755,737	853,714	1,609,451
	<u>\$ 2,082,234</u>	<u>\$ 4,239,557</u>	<u>\$ 6,321,791</u>

The accompanying notes are an integral part of these statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Statement of Activities**  
**For the fiscal year ended June 30, 2012**

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities:</b>							
General government	\$ 475,482	\$ 6,822	\$ -	\$ -	\$ (468,660)	\$ -	\$ (468,660)
Public safety	532,956	118,133	4,800	186,399	(223,624)	-	(223,624)
Public works	261,498	755	129,757	(15,008)	(145,994)	-	(145,994)
Culture and recreation	65,066	3,629	3,100	1,600	(56,737)	-	(56,737)
Community development - housing	188,128	-	187,419	-	(709)	-	(709)
Interest	6,473	-	-	-	(6,473)	-	(6,473)
<b>Total Governmental Activities</b>	<b>1,529,603</b>	<b>129,339</b>	<b>325,076</b>	<b>172,991</b>	<b>(902,197)</b>	<b>-</b>	<b>(902,197)</b>
<b>Business-Type Activities:</b>							
Water and Sewer	751,414	668,362	-	800	-	(82,252)	(82,252)
Sanitation	54,572	60,140	-	-	-	5,568	5,568
<b>Total Business-Type Activities</b>	<b>805,986</b>	<b>728,502</b>	<b>-</b>	<b>800</b>	<b>-</b>	<b>(76,684)</b>	<b>(76,684)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 2,335,589</b>	<b>\$ 857,841</b>	<b>\$ 325,076</b>	<b>\$ 173,791</b>	<b>(902,197)</b>	<b>(76,684)</b>	<b>(978,881)</b>
<b>General Revenues</b>							
<b>Taxes</b>							
Property taxes and late fees					197,662	-	197,662
Payment in lieu of taxes					54,835	-	54,835
Sales tax					537,869	-	537,869
Beer tax					80,754	-	80,754
Franchise tax - cable TV and natural gas					107,921	-	107,921
Income and excise tax					3,235	-	3,235
Unauthorized substance tax					275	-	275
Investment income					5,403	2,560	7,963
Miscellaneous					11,273	3,696	14,969
Transfers					10,128	(10,128)	-
<b>Total</b>					<b>1,009,355</b>	<b>(3,872)</b>	<b>1,005,483</b>
Change in Net Assets					107,158	(80,556)	26,602
<b>NET ASSETS--BEGINNING</b>					<b>1,975,076</b>	<b>4,320,113</b>	<b>6,295,189</b>
<b>NET ASSETS--ENDING</b>					<b>\$ 2,082,234</b>	<b>\$ 4,239,557</b>	<b>\$ 6,321,791</b>

The accompanying notes are an integral part of these statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2012**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 280,850	\$ 85,776	\$ 366,626
Investments - certificates of deposit	173,568	41,141	214,709
Receivables (Net, where applicable, of allowances for uncollectibles)			
Property taxes (net of allowances of \$4,231)	258,573	-	258,573
Interest	742	51	793
Beer tax (net of allowances of \$0)	7,796	-	7,796
Other (net of allowances of \$121,524)	36,014	-	36,014
Due from other governments	447,361	-	447,361
Due from other funds	-	20,162	20,162
Inventory	1,200	1,750	2,950
	<u>1,206,104</u>	<u>148,880</u>	<u>1,354,984</u>
<b>TOTAL ASSETS</b>	<b>\$ 1,206,104</b>	<b>\$ 148,880</b>	<b>\$ 1,354,984</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 14,102	\$ -	\$ 14,102
Related party accounts payable	26,279	-	26,279
Accounts payable - fixed assets	7,765	-	7,765
Accrued liabilities	9,818	-	9,818
Compensated absences	2,391	-	2,391
Due to other government	7,325	-	7,325
Due to other funds	165,005	-	165,005
Deferred revenues	448,936	1,801	450,737
	<u>681,621</u>	<u>1,801</u>	<u>683,422</u>
<b>Total Liabilities</b>	<b>681,621</b>	<b>1,801</b>	<b>683,422</b>
<b>FUND BALANCES</b>			
Nonspendable	-	43,691	43,691
Restricted	-	103,388	103,388
Assigned	26,450	-	26,450
Unassigned	498,033	-	498,033
	<u>524,483</u>	<u>147,079</u>	<u>671,562</u>
<b>Total Fund Balances</b>	<b>524,483</b>	<b>147,079</b>	<b>671,562</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,206,104</b>	<b>\$ 148,880</b>	<b>\$ 1,354,984</b>

The accompanying notes are an integral part of these statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Reconciliation of Fund Balances of Governmental Funds to the**  
**Governmental Activities in the Statement of Net Assets**  
**June 30, 2012**

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 671,562
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and; therefore, were not reported in the governmental funds. The capital assets were adjusted as follows:</p>	
Land and construction in progress	206,406
Other capital assets	2,165,330
Less accumulated depreciation	<u>(1,095,072)</u>
Total capital asset adjustments	<u>1,276,664</u>
<p>Some of the Town's revenues will be collected after year end but will not be available soon enough to pay for the current period's expenditures and; therefore, are deferred in the funds. The deferred revenues were adjusted as follows:</p>	
State beer tax	525
Intergovernmental revenue	4,000
Interest	4,667
Police fines	27,354
Miscellaneous	175
Sales tax	72,415
Payment in lieu of tax	1,250
Franchise tax	84,360
Property taxes	<u>12,287</u>
Total deferred revenue adjustments	<u>207,033</u>
Prepaid expenses, including prepaid insurance and prepaid software maintenance are not reported in the governmental funds.	35,190
<p>Long-term liabilities, including bonds payable, accrued interest and compensated absences not due and payable in the current period and; therefore, are not reported in the governmental funds. The long-term liabilities were adjusted as follows:</p>	
General obligation bonds	(72,735)
Obligations under capital leases	(18,547)
Accrued interest	(647)
Compensated absences	<u>(16,286)</u>
Total long-term liability adjustments	<u>(108,215)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,082,234</u></u>

The accompanying notes are an integral part of these statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the fiscal year ended June 30, 2012**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 478,644	\$ -	\$ 478,644
License and permits	650	-	650
Intergovernmental revenues	883,355	-	883,355
Charges for services	15,297	-	15,297
Fines, forfeits and penalties	90,602	20,386	110,988
Investment income	1,669	418	2,087
Other revenue	34,353	-	34,353
	<u>1,504,570</u>	<u>20,804</u>	<u>1,525,374</u>
<b>Total Revenues</b>			
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	479,930	-	479,930
Public safety	475,929	8,476	484,405
Public works	240,074	370	240,444
Culture and recreation	56,030	-	56,030
Community development	188,128	-	188,128
Capital outlay	190,051	824	190,875
<b>Debt service</b>			
Principal retirement	27,396	7,159	34,555
Interest and fiscal charges	5,482	1,417	6,899
	<u>1,663,020</u>	<u>18,246</u>	<u>1,681,266</u>
<b>Total Expenditures</b>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>(158,450)</u>	<u>2,558</u>	<u>(155,892)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	10,128	-	10,128
	<u>10,128</u>	<u>-</u>	<u>10,128</u>
<b>Total Other Financing Sources (Uses)</b>			
<b>NET CHANGE IN FUND BALANCES</b>			
	(148,322)	2,558	(145,764)
Fund balances--beginning	672,805	144,521	817,326
Fund balances--ending	<u>\$ 524,483</u>	<u>\$ 147,079</u>	<u>\$ 671,562</u>

The accompanying notes are an integral part of these statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Governmental Activities in the Statement of Activities**  
**For the fiscal year ended June 30, 2012**

NET CHANGES IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS \$ (145,764)

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, assets with an individual cost of more than \$500 are capitalized and the cost is allocated over their estimated useful lives and are reported as depreciation expense. The following is a detail of these differences:

Capital outlay	174,640
Depreciation expense	<u>(74,755)</u>
Total capital outlay changes	<u>99,885</u>

The repayment of long-term debt is reported as an expenditure when due in governmental funds, but as a reduction of principal outstanding in the statement of activities. 34,555

Revenues in the statement of activities that are not available in governmental funds are not reported as revenue in governmental funds. Deferred revenues increased (decreased) by these amounts during the current year:

Franchise tax	77,099
State beer tax	(89)
Sales tax	72,415
Payment in lieu of taxes	1,250
FEMA grant - intergovernmental revenue	(15,008)
Insurance rebates	(3,000)
Fire department grant - intergovernmental revenue	4,000
Recoveries	(14,628)
Interest	3,316
Property taxes	(21,047)
Police fines	<u>(3,768)</u>
Total changes in deferred revenues	<u>100,540</u>

Some expenses in the statement of activities do not require the use of current financial resources and; therefore, are not reported as expenditures in governmental funds. Expenses (increased) decreased by these amounts during the current year.

Compensated absences	(68)
Interest expense	<u>426</u>
Total changes in expenses	<u>358</u>

Prepaid expenses require the use of current financial resources and; therefore, are reported as expenditures in governmental funds. 17,584

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 107,158

The accompanying notes are an integral part of these statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Proprietary Fund**  
**Statement of Net Assets**  
**June 30, 2012**

	Business-Type Activities-- Enterprise Fund		
	Water and Sewer	Nonmajor Fund Solid Waste Collection	Totals
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 423,674	\$ -	\$ 423,674
Investments - certificates of deposit	264,866	-	264,866
Accounts receivable (net of allowance for uncollectables of \$3,361)	78,881	-	78,881
Due from other funds	144,843	105	144,948
Prepaid expenses	9,984	-	9,984
Accrued interest	419	-	419
<b>Total Current Assets</b>	<b>922,667</b>	<b>105</b>	<b>922,772</b>
<b>RESTRICTED ASSETS</b>			
Cash and cash equivalents	16,805	-	16,805
Investments - certificates of deposit	75,000	-	75,000
<b>Total Restricted Assets</b>	<b>91,805</b>	<b>-</b>	<b>91,805</b>
<b>CAPITAL ASSETS</b>			
Land and construction in progress	54,299	-	54,299
Other capital assets, net of depreciation	3,509,027	-	3,509,027
<b>Net Capital Assets</b>	<b>3,563,326</b>	<b>-</b>	<b>3,563,326</b>
<b>Total Assets</b>	<b>\$ 4,577,798</b>	<b>\$ 105</b>	<b>\$ 4,577,903</b>

The accompanying notes are an integral part of these statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Proprietary Fund**  
**Statement of Net Assets**  
**June 30, 2012**

	Business-Type Activities-- Enterprise Fund		
	Water and Sewer	Nonmajor Fund Solid Waste Collection	Totals
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 15,084	\$ 4,560	\$ 19,644
Accrued liabilities	4,916	-	4,916
Due to other funds	105	-	105
Customer deposits	38,123	-	38,123
<b>Total Current Liabilities</b>	<b>58,228</b>	<b>4,560</b>	<b>62,788</b>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>			
Current portion of long term debt	16,907	-	16,907
Accrued interest	3,750	-	3,750
<b>Total Liabilities Payable from Restricted Assets</b>	<b>20,657</b>	<b>-</b>	<b>20,657</b>
<b>NONCURRENT LIABILITIES</b>			
Compensated absences	6,270	-	6,270
Revenue bonds and notes payable, less current maturities	248,631	-	248,631
<b>Total Noncurrent Liabilities</b>	<b>254,901</b>	<b>-</b>	<b>254,901</b>
<b>Total Liabilities</b>	<b>333,786</b>	<b>4,560</b>	<b>338,346</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,297,788	-	3,297,788
Restricted for debt service - expendable	88,055	-	88,055
Unrestricted	858,169	(4,455)	853,714
<b>TOTAL NET ASSETS</b>	<b>\$ 4,244,012</b>	<b>\$ (4,455)</b>	<b>\$ 4,239,557</b>

The accompanying notes are an integral part of these statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Proprietary Fund**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For the fiscal year ended June 30, 2012**

	Business-Type Activities--		
	Enterprise Fund		
	Water and Sewer	Nonmajor Fund Solid Waste Collection	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$ 668,362	\$ 60,140	\$ 728,502
 Total Operating Revenues	 <u>668,362</u>	 <u>60,140</u>	 <u>728,502</u>
<b>OPERATING EXPENSES</b>			
Personnel services	190,221	-	190,221
Payroll taxes	13,270	-	13,270
Health insurance	31,947	-	31,947
Retirement	11,677	-	11,677
Unemployment	1,006	-	1,006
Employee training	3,001	-	3,001
Postage	3,758	-	3,758
Electricity	107,893	-	107,893
Gas	1,010	-	1,010
Telephone	18,121	-	18,121
Other professional services	20,099	54,572	74,671
Operating supplies	21,093	-	21,093
Repair and maintenance	48,772	-	48,772
Sundry	353	-	353
Chemicals and laboratory supplies	85,641	-	85,641
Gas, oil and diesel	2,368	-	2,368
Insurance	34,621	-	34,621
Depreciation	142,935	-	142,935
 Total Operating Expenses	 <u>737,786</u>	 <u>54,572</u>	 <u>792,358</u>
<b>OPERATING INCOME (LOSS)</b>	 <u>\$ (69,424)</u>	 <u>\$ 5,568</u>	 <u>\$ (63,856)</u>

The accompanying notes are an integral part of these statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Proprietary Fund**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For the fiscal year ended June 30, 2012**

	Business-Type Activities--		
	Enterprise Fund		
	Water and Sewer	Nonmajor Fund Solid Waste Collection	Totals
OPERATING INCOME (LOSS)	\$ (69,424)	\$ 5,568	\$ (63,856)
NONOPERATING REVENUES (EXPENSES)			
Investment income	2,560	-	2,560
Miscellaneous revenues	3,696	-	3,696
Interest expense	(13,628)	-	(13,628)
Total Nonoperating Revenues (Expenses)	(7,372)	-	(7,372)
INCOME (LOSS) BEFORE CONTRIBUTIONS TRANSFERS AND CUMULATIVE EFFECTS	(76,796)	5,568	(71,228)
Capital contributions and grants	800	-	800
Transfers out	-	(10,128)	(10,128)
CHANGES IN NET ASSETS	(75,996)	(4,560)	(80,556)
TOTAL NET ASSETS--BEGINNING OF YEAR	4,320,008	105	4,320,113
TOTAL NET ASSETS--END OF YEAR	\$ 4,244,012	\$ (4,455)	\$ 4,239,557

The accompanying notes are an integral part of these statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Proprietary Fund**  
**Statement of Cash Flows**  
**For the fiscal year ended June 30, 2012**

	<u>Business-Type Activities--Enterprise Funds</u>		
	<u>Water and Sewer</u>	<u>Nonmajor Fund Solid Waste Collection</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 661,613	\$ 60,140	\$ 721,753
Other miscellaneous receipts	3,696	-	3,696
Cash payments to employees including fringe benefits	(250,672)	-	(250,672)
Cash payments to suppliers for goods and services	(358,847)	(67,183)	(426,030)
Net cash provided by (used in) operating activities	<u>55,790</u>	<u>(7,043)</u>	<u>48,747</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Operating transfers out to other funds	-	(10,128)	(10,128)
Net changes in due from other funds	(89,184)	17,171	(72,013)
Net cash provided by (used in) non-capital financing activities	<u>(89,184)</u>	<u>7,043</u>	<u>(82,141)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>			
Bond and note principal payments	(16,320)	-	(16,320)
Interest paid on bonds, notes and capital leases	(9,878)	-	(9,878)
Capital contributions and grants received	800	-	800
Net cash provided by (used in) capital financing activities	<u>(25,398)</u>	<u>-</u>	<u>(25,398)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from maturities of investments	339,453	-	339,453
Purchase of investments	(339,866)	-	(339,866)
Interest income received	2,660	-	2,660
Net cash provided by (used in) investing activities	<u>2,247</u>	<u>-</u>	<u>2,247</u>
Net increase (decrease) in cash and cash equivalents	(56,545)	-	(56,545)
Cash and cash equivalents, beginning of year	497,024	-	497,024
Cash and cash equivalents, end of year	<u>\$ 440,479</u>	<u>\$ -</u>	<u>\$ 440,479</u>

The accompanying notes are an integral part of these statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Proprietary Fund**  
**Statement of Cash Flows**  
**For the fiscal year ended June 30, 2012**

	Business-Type Activities--Enterprise Funds		
	Water and Sewer	Nonmajor Fund Solid Waste Collection	Totals
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (69,424)	\$ 5,568	\$ (63,856)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation/amortization	142,935	-	142,935
Miscellaneous revenues	3,696	-	3,696
Changes in assets and liabilities:			
Accounts receivable	(4,959)	-	(4,959)
Prepaid expense	(5,583)	-	(5,583)
Accounts payable	(6,534)	(12,611)	(19,145)
Accrued liabilities	(3,697)	-	(3,697)
Compensated absences	1,146	-	1,146
Customer deposits	(1,790)	-	(1,790)
Total adjustments	125,214	(12,611)	112,603
Net cash provided by (used in) operating activities	\$ 55,790	\$ (7,043)	\$ 48,747
<b>Cash and Cash Equivalents Include the Following Statement of Net Assets Accounts</b>			
Cash and cash equivalents	\$ 423,674	\$ -	\$ 423,674
Restricted cash and cash equivalents	16,805	-	16,805
Total cash and cash equivalents	\$ 440,479	\$ -	\$ 440,479

The accompanying notes are an integral part of these statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Fiduciary Fund**  
**Leola Roberts Building Perpetual Care Fund**  
**Statement of Fiduciary Net Assets**  
**June 30, 2012**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Receivables	
Accrued interest receivable	\$ 11
Investments	
Certificates of deposit	<u>8,404</u>
Total Assets	<u>8,415</u>
<b>LIABILITIES</b>	
Due to beneficiary	<u>303</u>
Total Liabilities	<u>303</u>
<b>NET ASSETS HELD IN TRUST FOR LEOLA ROBERTS BUILDING PERPETUAL CARE</b>	<u>\$ 8,112</u>

The accompanying notes are an integral part of these statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance—Budget and Actual**  
**For the fiscal year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive/ Negative
<b>REVENUES</b>				
<b>Taxes</b>				
Real estate taxes	\$ 200,000	\$ 200,000	\$ 201,797	\$ 1,797
Delinquent property taxes	25,000	25,000	14,952	(10,048)
Penalties and interest	2,500	2,500	1,960	(540)
Local sales tax	120,000	120,000	150,546	30,546
Local beer tax	100,000	100,000	78,566	(21,434)
Franchise tax - natural gas	18,900	18,900	23,643	4,743
Franchise tax - cable TV	4,000	4,000	7,180	3,180
<b>Total Taxes</b>	<b>470,400</b>	<b>470,400</b>	<b>478,644</b>	<b>8,244</b>
<b>Licenses and Permits</b>				
Beer license	750	750	500	(250)
Building permits	400	400	150	(250)
<b>Total Licenses and Permits</b>	<b>1,150</b>	<b>1,150</b>	<b>650</b>	<b>(500)</b>
<b>Intergovernmental Revenues</b>				
Federal and state grants	-	-	183,999	183,999
Unauthorized substance tax	-	-	275	275
In service training	-	-	4,800	4,800
County library assistance	-	-	3,100	3,100
TVA in lieu of tax allocation	26,000	26,000	53,585	27,585
Home program grant	-	-	187,419	187,419
Sales tax allocation	455,000	455,000	314,650	(140,350)
Telecommunication sales tax allocation	-	-	258	258
Income tax allocation	-	-	3,235	3,235
Beer tax allocation	-	-	2,277	2,277
Gas and motor fuel tax allocation	-	-	82,378	82,378
Gas 1989 tax allocation	-	-	13,256	13,256
Gas 3 cent tax allocation	-	-	24,604	24,604
Petroleum special tax allocation	-	-	9,519	9,519
<b>Total Intergovernmental Revenues</b>	<b>481,000</b>	<b>481,000</b>	<b>883,355</b>	<b>402,355</b>
<b>Charges for Services</b>				
Public safety charges	-	-	800	800
Fire protection fees	8,500	8,500	10,000	1,500
Accident report charges	200	200	113	(87)
Library fines	2,500	2,500	3,629	1,129
Cemetery maintenance	4,000	4,000	755	(3,245)
<b>Total Charges for Services</b>	<b>\$ 15,200</b>	<b>\$ 15,200</b>	<b>\$ 15,297</b>	<b>\$ 97</b>

The accompanying notes are an integral part of these statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance--Budget and Actual**  
**For the fiscal year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive/ Negative
<b>REVENUES - CONTINUED</b>				
<b>Fines, Forfeits and Penalties</b>				
City court fines	\$ 95,000	\$ 95,000	\$ 72,344	\$ (22,656)
Drug related fines	35,000	35,000	12,432	(22,568)
County court fines	15,000	15,000	5,826	(9,174)
Total Fines, Forfeits and Penalties	145,000	145,000	90,602	(54,398)
Investment Income--Interest	7,500	7,500	1,669	(5,831)
<b>Other Revenues</b>				
Rent	5,000	5,000	4,972	(28)
Rent development no. 1	1,200	1,200	1,200	-
Miscellaneous	10,000	10,000	28,181	18,181
Total Other Revenues	16,200	16,200	34,353	18,153
Total Revenues	1,136,450	1,136,450	1,504,570	368,120
<b>EXPENDITURES</b>				
<b>General Government</b>				
<b>Legislative</b>				
Salaries	16,500	16,500	15,118	1,382
Payroll taxes	45,000	45,000	42,533	2,467
Health insurance	120,000	120,000	115,876	4,124
Retirement	35,000	35,000	33,318	1,682
Unemployment insurance	7,500	7,500	4,415	3,085
Memberships, registration	10,000	10,000	11,642	(1,642)
Legal services	10,000	10,000	27,957	(17,957)
Out of town expense	1,000	1,000	-	1,000
Sundry	3,500	3,500	2,692	808
Total Legislative	248,500	248,500	253,551	(5,051)
<b>Judicial</b>				
Salaries	2,400	2,400	2,175	225
Other salaries	2,500	2,500	1,375	1,125
Operating supplies	1,000	1,000	171	829
Bank charges	-	-	40	(40)
Litigation fees	7,500	7,500	3,721	3,779
Total Judicial	\$ 13,400	\$ 13,400	\$ 7,482	\$ 5,918

The accompanying notes are an integral part of these statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance—Budget and Actual**  
**For the fiscal year ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive/ Negative
	Original	Final		
<b>EXPENDITURES - CONTINUED</b>				
General Government - continued				
Financial Administration				
Salaries	\$ 65,000	\$ 65,000	\$ 68,688	\$ (3,688)
Employee education and training	1,500	1,500	1,702	(202)
Legal notices	1,500	1,500	-	1,500
Electricity	2,500	2,500	-	2,500
Gas	1,000	1,000	345	655
Telephone	6,500	6,500	5,646	854
Accounting and audit	18,500	18,500	21,250	(2,750)
Repairs and maintenance	17,500	17,500	15,650	1,850
Office supplies	-	-	47	(47)
Operating supplies	10,000	10,000	6,736	3,264
Telephone lease	2,500	2,500	-	2,500
Bank charges	-	-	384	(384)
Sundry	500	500	455	45
Total Financial Administration	<u>127,000</u>	<u>127,000</u>	<u>120,903</u>	<u>6,097</u>
General Government Buildings				
Salaries	6,000	6,000	5,742	258
Electricity	5,000	5,000	3,221	1,779
Gas	3,000	3,000	817	2,183
Operating supplies	2,500	2,500	4,855	(2,355)
Repair and maintenance	2,500	2,500	2,776	(276)
Insurance	75,000	75,000	69,887	5,113
Sundry	-	-	120	(120)
Total General Government Buildings	<u>94,000</u>	<u>94,000</u>	<u>87,418</u>	<u>6,582</u>
Industrial Buildings and Grounds				
Electricity	750	750	1,375	(625)
Total Industrial Buildings and Grounds	<u>\$ 750</u>	<u>\$ 750</u>	<u>\$ 1,375</u>	<u>\$ (625)</u>

The accompanying notes are an integral part of these statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance—Budget and Actual**  
**For the fiscal year ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive/ Negative
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES - CONTINUED</b>				
General Government - continued				
Public Relations				
Public relations	\$ 5,000	\$ 9,025	\$ 9,201	\$ (176)
Total Public Relations	<u>5,000</u>	<u>9,025</u>	<u>9,201</u>	<u>(176)</u>
Total General Government	<u>488,650</u>	<u>492,675</u>	<u>479,930</u>	<u>12,745</u>
Public Safety				
Police Department				
Salaries	335,000	335,000	333,758	1,242
Employee education and training	5,000	5,000	3,709	1,291
Electricity	5,200	5,200	4,891	309
Telephone	15,000	15,000	16,085	(1,085)
Medical	250	250	375	(125)
Professional services	2,000	2,000	729	1,271
Repair and maintenance service	-	-	162	(162)
Vehicle maintenance	15,000	15,000	18,768	(3,768)
Other repairs and maintenance	4,500	4,500	8,996	(4,496)
Operating supplies	10,000	10,000	8,002	1,998
Uniforms	-	-	1,565	(1,565)
Gasoline and oil	2,000	2,000	39,668	(37,668)
Sundry	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>
Total Police Department	<u>428,950</u>	<u>428,950</u>	<u>436,708</u>	<u>(7,758)</u>
Drug Investigation and Control				
Operating supplies	-	-	3,977	(3,977)
Special funds	-	-	201	(201)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,178</u>	<u>\$ (4,178)</u>

The accompanying notes are an integral part of these statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance--Budget and Actual**  
**For the fiscal year ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive/ Negative
	Original	Final		
<b>EXPENDITURES - CONTINUED</b>				
Fire Department				
Salaries	\$ 12,000	\$ 12,000	\$ 20,085	\$ (8,085)
Volunteer fireman salaries	12,000	12,000	1,708	10,292
Electricity	1,500	1,500	1,863	(363)
Gas	1,000	1,000	677	323
Telephone	2,000	2,000	-	2,000
Other professional services	-	-	2,129	(2,129)
Repair and maintenance service	5,000	5,000	1,440	3,560
Operating supplies	5,000	5,000	5,235	(235)
Gasoline and oil	3,000	3,000	1,906	1,094
Sundry	100	100	-	100
Total Fire Department	<u>41,600</u>	<u>41,600</u>	<u>35,043</u>	<u>6,557</u>
Total Public Safety	<u>470,550</u>	<u>470,550</u>	<u>475,929</u>	<u>(5,379)</u>
Public Works				
Highways, Streets and Roadways				
Salaries	120,750	120,750	118,587	2,163
Electricity	6,000	6,000	5,094	906
Street lighting	43,000	43,000	30,965	12,035
Gas	3,000	3,000	2,960	40
Telephone	3,500	3,500	2,679	821
Professional services	2,500	2,500	1,800	700
Repair and maintenance	16,500	16,500	17,863	(1,363)
Supplies	50,000	50,000	43,966	6,034
Gasoline	5,500	5,500	4,272	1,228
Total Highways, Streets and Roadways	<u>250,750</u>	<u>250,750</u>	<u>228,186</u>	<u>22,564</u>
Cemeteries				
Repairs and maintenance	17,000	17,000	10,100	6,900
Supplies	750	750	1,788	(1,038)
Total Cemeteries	<u>\$ 17,750</u>	<u>\$ 17,750</u>	<u>\$ 11,888</u>	<u>\$ 5,862</u>

The accompanying notes are an integral part of these statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance—Budget and Actual**  
**For the fiscal year ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive/ Negative
	Original	Final		
<b>EXPENDITURES - CONTINUED</b>				
Public Works - continued				
Total Public Works	\$ 268,500	\$ 268,500	\$ 240,074	\$ 28,426
Culture and Recreation				
Parks				
Electric	2,500	2,500	2,250	250
Supplies	1,500	1,500	1,945	(445)
Repair and maintenance	1,000	1,000	1,618	(618)
Total Parks	<u>5,000</u>	<u>5,000</u>	<u>5,813</u>	<u>(813)</u>
Library				
Salaries	48,000	48,000	36,988	11,012
Education and training	100	100	232	(132)
Electricity	3,750	3,750	3,095	655
Gas	1,750	1,750	500	1,250
Telephone	2,500	2,500	2,466	34
Supplies	3,500	3,500	6,936	(3,436)
Total Library	<u>59,600</u>	<u>59,600</u>	<u>50,217</u>	<u>9,383</u>
Total Culture and Recreation	<u>64,600</u>	<u>64,600</u>	<u>56,030</u>	<u>8,570</u>
Community Development				
Housing construction grant	-	-	188,128	(188,128)
Total Community Development	<u>-</u>	<u>-</u>	<u>188,128</u>	<u>(188,128)</u>
Capital Outlay				
General government	7,500	7,500	2,444	5,056
Police department	2,600	2,600	6,692	(4,092)
Fire department	500	168,450	174,640	(6,190)
Public property	10,000	10,000	-	10,000
Parks	5,000	5,000	2,000	3,000
Library	5,000	5,000	4,275	725
Total Capital Outlay	<u>\$ 30,600</u>	<u>\$ 198,550</u>	<u>\$ 190,051</u>	<u>\$ 8,499</u>

The accompanying notes are an integral part of these statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance--Budget and Actual**  
**For the fiscal year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive/ Negative
<b>EXPENDITURES - CONTINUED</b>				
Debt Service				
Retirement of mortgage notes	\$ 40,000	\$ 40,000	\$ 32,878	\$ 7,122
Total Debt Service	<u>40,000</u>	<u>40,000</u>	<u>32,878</u>	<u>7,122</u>
 Total Expenditures	 <u>1,362,900</u>	 <u>1,534,875</u>	 <u>1,663,020</u>	 <u>(128,145)</u>
 <b>EXCESS (DEFICIENCIES) OF</b>				
<b>REVENUES OVER EXPENDITURES</b>	<u>(226,450)</u>	<u>(398,425)</u>	<u>(158,450)</u>	<u>239,975</u>
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>10,128</u>	<u>10,128</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>10,128</u>	<u>10,128</u>
 <b>REVENUES AND OTHER FINANCING</b>				
<b>SOURCES OVER (UNDER)</b>				
<b>EXPENDITURES AND OTHER USES</b>	(226,450)	(398,425)	(148,322)	250,103
 Fund balance--beginning	 <u>672,805</u>	 <u>672,805</u>	 <u>672,805</u>	 <u>-</u>
 Fund balance--ending	 <u>\$ 446,355</u>	 <u>\$ 274,380</u>	 <u>\$ 524,483</u>	 <u>\$ 250,103</u>

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Whiteville, Tennessee (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units, hereinafter referred to as generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant of the Town's accounting policies are described below.

a. Reporting Entity

The Town is a municipal corporation governed by an elected Mayor and six-member board. As required by generally accepted accounting principles, these financial statements present the Town (the primary government) and its component unit, entities for which the government is considered to be financially accountable.

Component units are organizations for which the Town is financially accountable and all other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the Town appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Town. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government.

Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Blended Component Unit

The Industrial Development Board, the Planning Committee Board, the Library Board, and the Cemetery Board meet the criteria listed for inclusion as a component unit. However, these boards do not have any financial activity; therefore, there are no separate financial statements for these component units. Any assets, liabilities, revenues, or expenses of these boards are paid by the Town and are blended in the Town's financial statements. The Industrial Development Board is 100 percent appointed by the Town Board and provides industrial planning for the Town. The Planning Committee Board is 100 percent appointed by the Town Board and provides planning commission services to the Town. The Library Board is 100 percent appointed by the Town Board and provides library oversight services to the Town. The Cemetery Board is 100 percent appointed by the Town Board and provides cemetery oversight.

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

b. Fund Accounting

The accounts of the Town are organized and operated using funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Funds are classified into the following categories: governmental, proprietary and fiduciary.

Governmental funds are used to account for all or most of a Town's general activities, including the collection and disbursement of earmarked monies (special revenue funds), accounting for financial resources to be used for the acquisition or construction of major capital facilities (capital project funds), and to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's program (permanent funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities for which a fee is charged to external or internal users for goods or services. Their reporting focuses on the determination of operating income and changes in net assets. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the Town (internal service funds). The Town considers all revenues and expenses derived from the performance of the fund's function (water, sewer, sanitation), or paid to provide the function to be operating revenues and expenses. Everything else is considered nonoperating.

Fiduciary funds are used to account for assets held in a trustee or agency capacity for others and; therefore, cannot be used to support the Town's own programs.

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. The effect of material interfund activity has been eliminated from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**c. Government-Wide and Fund Financial Statements - continued**

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. 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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

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. The Industrial Development Board, the Planning Committee Board, the Library Board, and the Cemetery Board transactions are blended into the general fund because all expenditures thereof are provided by the general fund.

Additionally, the nonmajor governmental funds include the following:

The drug special revenue fund is used to account for drug awareness and drug enforcement collections and disbursements.

The cemetery perpetual care permanent fund is used to account for collections and disbursements set aside for which income is to be used for cemetery maintenance.

The Town reports the following major proprietary funds:

The water and sewer fund accounts for the activities of the water and sewerage operations. The Town operates the sewerage treatment plant, sewerage pumping stations and collection systems and the water distribution system.

Additionally, the nonmajor proprietary fund types include the following:

The sanitation fund accounts for the activities of the collection and disposal of garbage.

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

c. Government-Wide and Fund Financial Statements - continued

The Town reports the following fiduciary funds:

The Leola Roberts Building Perpetual Care Fund provides funds to a local club for maintenance of the Leola Roberts building.

d. Measurement Focus, Basis of Accounting, and Financial Statement 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 and fiduciary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports deferred revenue on its governmental fund financial statements. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

e. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted at the department level for the governmental and proprietary funds. The annual appropriated budget is legally enacted and provides for a legal level of control at the department level. All annual appropriations lapse at fiscal year end.

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

f. Cash and Investments

For purposes of the statement of cash flows, the Town's proprietary fund types consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments consist of certificates of deposit and are stated at cost which approximates fair value.

g. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Governmental fund accounts receivable consist of property taxes, interest, beer taxes due and other receivables. Governmental fund other receivables include franchise fees and other miscellaneous receivables.

h. Inventories

Inventories of office materials and water and sewer supplies were deemed to be immaterial and were not inventoried or reflected in the Town's records.

i. Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses for the government-wide and enterprise fund financial statements. Payments made to vendors for services that will benefit periods beyond the date of this report are recognized in the period of acquisition for governmental fund statements.

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**j. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items acquired after June 30, 2001), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town has elected not to report infrastructure acquired prior to implementation of GASB 34. Capital assets are defined by the Town as all land, and building additions, and assets with an initial, individual cost of \$5,000 or more for infrastructure, improvements other than buildings, and equipment (amounts not rounded) and an estimated useful life of over one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements other than buildings	20
Infrastructure	20
Water and sewer system	40-50
Machinery and equipment	3-20

**k. Capitalization of Interest**

In conformity with Financial Accounting Standards Board Statement No. 34, Capitalization of Interest Cost, the Town capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. Total interest, fiscal charges and amortization of loan discount and deferred amount of refunding incurred in the enterprise funds was \$13,628. Interest costs, fiscal charges and amortization of loan discount and deferred amount of refunding of \$13,628 were charged to expense. Interest costs of \$0, net of interest earned, were capitalized as fixed assets in the enterprise funds.

**l. Compensated Absences**

It is the Town's policy to permit employees to accumulate a limited amount of earned, but unused vacation leave, which will be paid to employees upon separation from Town services.

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**I. Compensated Absences - continued**

The Town accrues a liability for compensated absences which meet the following criteria:

1. The Town's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

As of June 30, 2012, the liability for accrued vacation leave is approximately \$24,947. The amount applicable to the enterprise fund of \$6,270 and general fund of \$2,391 has been recorded in these funds, the amount applicable to other funds of \$16,286 has been recorded in the government-wide statements.

In accordance with the provisions of Government Accounting Standards Board Statement No.16, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

**m. Long-Term Obligations**

The Town has issued debt under the Tennessee Code. This code provides for the prompt payment of notes or certificates of indebtedness at maturity, both principal and interest. The full faith credit and resources of the Town are pledged for these notes. If the Town does not have available funds in an amount sufficient to provide for the payment of principal and interest according to the terms of such notes or certificates of indebtedness, then the Town is required to annually levy a special tax upon all of its taxable property at a rate, the avails of which will be sufficient to provide such payments. Funds derived from any such tax shall be paid into a sinking fund and used exclusively for the payment of principal and interest on the notes or certificates of indebtedness.

The Town has not, and does not expect to be, required to levy such tax.

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. There were no bond premiums, discounts, or issuance cost on the bonds outstanding at June 30, 2012.

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

m. Long-Term Obligations - continued

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

n. Fund Equity/Net Assets

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

**Nonspendable fund balance.** This classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

**Restricted fund balance.** This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed fund balance.** These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Alderpersons, the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board of Alderpersons removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned fund balance.** This classification reflects the amounts constrained by the Town's "intent" to be used for a specific purpose, but are neither restricted nor committed. The Board of Alderpersons and Mayor have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

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

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

n. Fund Equity/Net Assets - continued

The constraints on fund balances as listed in aggregate in the Statement of Revenues, Expenditures, and Changes in Fund Balance are detailed according to balance classification and fund.

Fund Balances:	<u>General Fund</u>	<u>Other Governmental Funds</u>
Nonspendable:		
Cemetery perpetual care	\$ -	\$ 43,691
Total – Nonspendable:	<u>\$ -</u>	<u>\$ 43,691</u>
Restricted		
Drug awareness and enforcement	\$ -	\$ 103,388
Total – Restricted:	<u>\$ -</u>	<u>\$ 103,388</u>
Assigned		
Subsequent year budget shortfall	\$ 26,450	\$ -
Total – Restricted:	<u>\$ 26,450</u>	<u>\$ -</u>

When restricted, committed, assigned and unrestricted resources are available for use, it is the Town's policy to use externally restricted resources first, then committed, assigned, and unassigned in that order as needed.

o. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. As such, actual results could differ from those estimates.

p. Encumbrances

Encumbrance accounting, under which commitments for the expenditure of monies are disclosed to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. The Town's budget basis is GAAP; therefore, the appropriations lapse at year end, even if encumbered. The Town's governmental funds had no material encumbrances as of June 30, 2012.

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

q. Reclassifications

Certain reclassifications have been made to the prior year financial statements in order to conform to the current year presentation.

**2. PROPERTY TAX**

Taxes are levied on January 1 and are due and payable October through February in the year succeeding the levy. Property taxes attach as an unperfected lien on property as of March 1. Taxes uncollected for one year past the due date are submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment.

Appraised values are established by Hardeman County, Tennessee at 100 percent of estimated market values. The Town is required to adopt county tax rolls. The 2011 taxes are collected in October, 2011 through February, 2012. The 2011 taxes are levied to fund the 2011-2012 budget year. The assessed value upon which the 2011 taxes were based was \$27,523,423.

Town property tax revenue is recorded in governmental funds as receivables and deferred revenues at the time the tax attaches as an enforceable lien which includes the 2012 taxes intended to fund the 2012-2013 budget year of \$243,675. Current year revenues recognized are those collected within the current period, or soon enough thereafter to pay current liabilities, generally within sixty days after year end. An allowance is provided for property taxes not expected to be collected in the future.

The 2012 taxes of \$243,675 (\$245,516 net of \$1,841 allowance for bad debts) are also included in deferred revenue and not in current revenues in governmental activities because they are levied to fund the 2012 - 2013 budget year.

The Town assessed a tax rate of .77 mills for the 2011 taxes and .87 mills for the 2012 taxes.

**3. LEGAL COMPLIANCE AND ACCOUNTABILITY**

Budgets

The budget committee submits an annual budget to the Board of Alderpersons in accordance with the Town charter and the State of Tennessee requirements. Prior to June 30, the Board of Alderpersons is required to adopt annual fiscal year appropriated budgets for specified Town funds. These include general and special revenue funds. Annually appropriated budgets are also approved for certain portions of proprietary fund operations including water and sewer and solid waste collection. Once approved, the Board of Alderpersons may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Tennessee law requires the Town to adopt a municipal budget on a basis consistent with U.S. generally accepted accounting principles; therefore, no reconciliation from budget basis to U.S. generally accepted accounting principles basis is required.

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**3. LEGAL COMPLIANCE AND ACCOUNTABILITY - continued**

Budgets - continued

In accordance with Government Accounting Standards Board Statement No. 34, the Town has presented the general fund budget comparison as part of the basic financial statements on Statement 9. The budgets shown on Statement 9 are the original and final adopted budgets. There were budgetary amendments approved by the Board of Alderpersons as follows:

General government public relations	\$ 4,025
Capital outlay fire department	167,950

The Town is legally subject to the budgetary control requirements of its charter and the State of Tennessee. The Town follows the following procedures in establishing the budgetary comparison:

- A. Prior to June 1, the Mayor is required to submit to the Board of Alderpersons a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. Public hearings are conducted to obtain taxpayer comments.
- C. Prior to July 1, the budget is required to be legally enacted through passage of an ordinance.
- D. The budget must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
- E. The budget must be amended when necessary.
- F. Debt cannot be entered into unless permitted by law.
- G. Expenditures cannot exceed budget appropriations.
- H. Expenditures cannot be made unless authorized in the budget.
- I. Appropriations lapse at the end of each year.

The following is a list of the excess of expenditures over appropriations for individual funds not included in the general fund budgetary comparisons on Statement 9:

<u>Fund/Category</u>	<u>Amount</u>
Drug fund – debt service	\$ 8,576
Cemetery perpetual care fund – payments to general fund	370
Water and sewer – training	501
Water and sewer – telephone	6,121
Water and sewer – professional services	99
Water and sewer – insurance	4,621

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**3. LEGAL COMPLIANCE AND ACCOUNTABILITY - continued**

Budgets - continued

<u>Fund/Category</u>	<u>Amount</u>
Water and sewer – repairs and maintenance other	\$ 1,712
Water and sewer – depreciation	14,935
Water and sewer – retirement of bank notes and capital leases	14,946
Water and sewer – bad debts	5,158
Water and sewer – capital outlays	268

**4. DEPOSITS AND INVESTMENTS**

At June 30, 2012, the cash and investments included the following:

<u>Account Balances</u>		<u>Ownership of Funds</u>	
Petty cash/cash on hand	\$ 2,758	Governmental Funds	\$ 581,335
Demand deposits	804,347	Enterprise Funds	780,345
Certificates of deposit	<u>562,979</u>	Agency Funds	<u>8,404</u>
	<u>\$ 1,370,084</u>		<u>\$ 1,370,084</u>

The deposits of the Town are governed by State of Tennessee statutes which allow depositories to collateralize excess deposits above federal depository insurance coverage by one of two methods: 1) 105% of all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the Town's agency in the Town's name, or 2) the financial institution must be a member of the State of Tennessee Bank Collateral Pool. Under this method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered held by the Town's agent in the Town's name. The amount of the pledged collateral is based upon a method approved by the State of Tennessee. Depositories using the pooling method report to the State Treasurer the adequacy of the pledged collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the pooling method, the potential exists for under collateralization, and the risk may increase in periods of high cash flows. However, the State Treasurer for Tennessee enforces strict standards of financial stability for each depository that collateralizes under the State of Tennessee Bank Collateral Pool.

At June 30, 2012, the demand deposit and certificates of deposit held with various local financial institutions had carrying amounts totaling \$1,367,326 and bank balances totaling \$1,406,098 of which \$669,172 was covered by federal depository insurance, \$735,721 was covered by the State of Tennessee Bank Collateral Pool, \$0 was collateralized with securities held in the Town's name (category 1 collateral) and \$1,205 was on deposit with PayPal and was not collateralized.

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**4. DEPOSITS AND INVESTMENTS - continued**

The Town has designated Whiteville Bank which is now Regions Bank, as its official depository. However, the Town also uses CB&S Bank, Merchants & Planters Bank, Bank of Hardeman County, BancorpSouth Bank and PayPal.

Investments

State of Tennessee statutes authorize the Town to invest in 1) short-term investments secured by FDIC in certificates of deposit, 2) short-term investments in treasury bills and treasury certificates, including security repurchase agreements at mutually agreeable interest rates for large sums available for very short-term investments, 3) short-term or long-term investments, which mature in two years or less, in TVA obligations, 4) long-term investments, which mature in two years or less, in housing authority bonds and in State, County, and Town bonds, and 5) deposits in the Tennessee Local Government Investment Pool.

Investments are stated at cost. At June 30, 2012, the Town investments consisted of certificates of deposit totaling \$562,979 with an average original maturity date of one year. There is no material difference in cost and market value of the certificates of deposit.

Interest Rate Risk

State law limits investments to maturities of two years or less. The Town has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Town limited its investments during the year to federal depository insured certificates of deposit with Merchants & Planters Bank, Regions Bank, CB&S Bank, Bank of Hardeman County and BancorpSouth Bank. These banks allow the Town to cash out the certificates of deposit prior to maturity with a 90-180 day loss of interest.

Credit Risk

State law limits investments to 1) financial institutions insured by FDIC that are members of the State of Tennessee Bank Collateral Pool or that provide pledged collateral held by the Town's agent in the Town's name, 2) TVA obligations with a maturity of two years or less, 3) housing authority bonds and State, County, and Town bonds which mature in two years or less and 4) deposits in the Tennessee Local Government Investment Pool. The Town has no investment policy that would limit its investment choices.

The Town purchases certificates of deposit with the following financial institutions with the following ratings by Moody's: Regions Bank (Ba3), BancorpSouth Bank (Baa2), Merchants & Planters Bank (not rated), CB&S Bank (not rated) and Bank of Hardeman County (not rated).

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**4. DEPOSITS AND INVESTMENTS - continued**

Custodial Credit Risks

Custodial credit risk is the risk that the Town will not be able to recover the value of its investments that are in the possession of its safekeeping custodian. To minimize this risk, the Town's investment policy requires that all negotiable instruments shall be held in safekeeping in the trust department of a bank. The Town's pledged collateral is held in the Town's name by a safekeeping agent that is independent of all counterparties.

Concentration of Credit Risks

The Town of Whiteville, Tennessee had investments in certificates of deposit at June 30, 2012 with more than 5% of the total in Merchants & Planters Bank, Regions Bank, Bank of Hardeman County and BancorpSouth Bank. These investments represented 31%, 36%, 17%, and 16% respectively of total investments in certificates of deposit.

**5. RECEIVABLES**

Receivables at June 30, 2012 for the government's individual major funds and nonmajor funds, business-type funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectable accounts, consist of the following. It is at least reasonably possible that the Town's estimate of the allowance for doubtful accounts could change in the near-term.

	General	Other Governmen t-al Funds	Water and Sewer System	Fiduciary	Total
Receivables:					
Taxes					
Property	\$ 262,804	\$ -	\$ -	\$ -	\$ 262,804
Beer	7,796	-	-	-	7,796
Accounts	-	-	82,242	-	82,242
Interest	743	51	419	11	1,224
Other					-
Police fines	155,268	-	-	-	155,268
Other	2,269	-	-	-	2,269
Gross receivables	428,880	51	82,661	11	511,603
Less: Allowance for uncollectables	(125,755)	-	(3,361)	-	(129,116)
Net receivables	\$ 303,125	\$ 51	\$ 79,300	\$ 11	\$ 382,487

**TOWN OF WHITEVILLE, TENNESSEE**  
**Notes to the Financial Statements**  
**June 30, 2012**

**6. CAPITAL ASSETS**

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

	Balance June 30, 2011	Additions	Deletions	Transfers	Balance June 30, 2012
<b>GOVERNMENTAL ACTIVITIES</b>					
Capital assets not being depreciated:					
Land	\$ 206,406	\$ -	\$ -	\$ -	\$ 206,406
Total capital assets not being depreciated	<u>206,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,406</u>
Capital assets being depreciated:					
Building and improvements	669,143	-	-	-	669,143
Automotive and equipment	1,076,834	174,640	-	-	1,251,474
Infrastructure	<u>244,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>244,713</u>
Total capital assets being depreciated, net	<u>1,990,690</u>	<u>174,640</u>	<u>-</u>	<u>-</u>	<u>2,165,330</u>
Less accumulated depreciation for:					
Buildings and improvements	187,743	13,319	-	-	201,062
Automotive and equipment	776,218	52,871	-	-	829,089
Infrastructure	<u>56,356</u>	<u>8,565</u>	<u>-</u>	<u>-</u>	<u>64,921</u>
Total accumulated depreciation	<u>1,020,317</u>	<u>74,755</u>	<u>-</u>	<u>-</u>	<u>1,095,072</u>
Total capital assets being depreciated, net	<u>970,373</u>	<u>99,885</u>	<u>-</u>	<u>-</u>	<u>1,070,258</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
<b>CAPITAL ASSETS, NET</b>					
	<u>\$ 1,176,779</u>	<u>\$ 99,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,276,664</u>
	Balance June 30, 2011	Additions	Deletions	Transfers	Balance June 30, 2012
<b>BUSINESS TYPE ACTIVITIES</b>					
Capital assets not being depreciated:					
Land	\$ 54,299	\$ -	\$ -	\$ -	\$ 54,299
Total capital assets not being depreciated	<u>54,299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,299</u>
Capital assets being depreciated:					
Buildings and improvements	6,312	-	-	-	6,312
Automotive and equipment	91,589	-	-	-	91,589
Water and sewer system	<u>5,942,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,942,147</u>
Total capital assets being depreciated	<u>\$ 6,040,048</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,040,048</u>

**TOWN OF WHITEVILLE, TENNESSEE**  
**Notes to the Financial Statements**  
**June 30, 2012**

**6. CAPITAL ASSETS - continued**

Less accumulated depreciation for:					
Buildings and improvements	\$ 3,239	\$ 158	\$ -	\$ -	\$ 3,397
Automotive and equipment	70,013	3,427	-	-	73,440
Water and sewer system	<u>2,314,834</u>	<u>139,350</u>	<u>-</u>	<u>-</u>	<u>2,454,184</u>
Total accumulated depreciation	<u>2,388,086</u>	<u>142,935</u>	<u>-</u>	<u>-</u>	<u>2,531,021</u>
Total capital assets being depreciated, net	<u>3,651,962</u>	<u>(142,935)</u>	<u>-</u>	<u>-</u>	<u>3,509,027</u>
BUSINESS-TYPE ACTIVITIES					
CAPITAL ASSETS, NET	<u>\$ 3,706,261</u>	<u>\$ (142,935)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,563,326</u>

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

**GOVERNMENTAL ACTIVITIES**

General Government	\$ 10,220
Public Safety	40,805
Public Works	21,211
Culture and Recreation	<u>2,519</u>

**TOTAL DEPRECIATION EXPENSE---GOVERNMENTAL ACTIVITIES** **\$ 74,755**

**BUSINESS-TYPE ACTIVITIES**

Water and Sewer	<u>\$ 142,935</u>
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**TOTAL DEPRECIATION EXPENSE---BUSINESS-TYPE ACTIVITIES** **\$ 142,935**

**7. LONG-TERM DEBT**

GOVERNMENTAL ACTIVITIES

General obligation debt consists of debt issued that is backed by the full faith and credit of the Town. The lease obligations are collateralized by the assets listed below:

	Final Maturity Date	Interest Rate	Beginning Balance 7-01-2011	Additions	Repayments	Ending Balance 06/30/2012	Amounts Due Within One Year
<b>General obligation</b>							
Merchants & Planters Bank Industrial Development park land	3/15/2014	4.75%*	<u>\$ 100,131</u>	<u>\$ -</u>	<u>\$ 27,396</u>	<u>\$ 72,735</u>	<u>\$ 29,423</u>
<b>Total general obligation</b>			<u>100,131</u>	<u>-</u>	<u>27,396</u>	<u>72,735</u>	<u>29,423</u>
<b>Lease obligation payable</b>							
Ford Motor Credit Corporation 2011 Chevrolet Tahoe	10/15/2014	6.25%	<u>25,707</u>	<u>-</u>	<u>7,160</u>	<u>18,547</u>	<u>7,620</u>
<b>Total lease obligation payable</b>			<u>25,707</u>	<u>-</u>	<u>7,160</u>	<u>18,547</u>	<u>7,620</u>
<b>Compensated absences</b>			<u>16,218</u>	<u>2,459</u>	<u>-</u>	<u>18,677</u>	<u>2,391</u>
			<u>\$ 142,056</u>	<u>\$ 2,459</u>	<u>\$ 34,556</u>	<u>\$ 109,959</u>	<u>\$ 39,434</u>

\*This note has a variable interest rate based on Wall Street Journal prime not to exceed 8%.

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**7. LONG-TERM DEBT - continued**

GOVERNMENTAL ACTIVITIES - continued

Annual debt service requirements to maturity for bonds and capital leases for governmental activities are as follows:

Years Ending <u>June 30</u>	<u>Capital Leases</u>			<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 7,620	\$ 943	\$ 8,563	\$ 29,423	\$ 3,455	\$ 32,878
2014	8,110	453	8,563	30,821	2,057	32,878
2015	2,817	38	2,855	12,491	593	13,084
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
<b>Total</b>	<b>\$ 18,547</b>	<b>\$ 1,434</b>	<b>\$ 19,981</b>	<b>\$ 72,735</b>	<b>\$ 6,105</b>	<b>\$ 78,840</b>

The ordinance authorizing the issuance of general obligation bonds creates an interest and sinking fund (General Debt Service Fund). If funds are not available from other sources, the ordinances require the Town to ascertain a rate and amount of ad valorem tax which will be sufficient to pay interest as it comes due. The Town does not levy taxes for debt service. All governmental debt is paid by the general fund.

Specific years for payment of compensated absences are not determinable and are not included in the table above.

BUSINESS-TYPE ACTIVITIES

Revenue bonds consist of debt issued by the water and sewer system. Revenue bonds are collateralized by revenues derived from the water and sewer system. The gross revenues of the water and sewer system, after deduction of reasonable expenses of operations and maintenance, are pledged to such funds in amounts equal to the total annual principal and interest requirements of the bonds and amounts required to maintain the reserve funds. If these revenues are insufficient to retire these bonds, the full faith and credit of the government is also pledged to the bonds labeled general obligation.

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**7. LONG-TERM DEBT - continued**

**BUSINESS-TYPE ACTIVITIES - continued**

	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning Balance 7/1/2011</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance 6/30/2012</u>	<u>Amounts Due Within One Year</u>
Revenue bonds							
Series 1981 Farmers Home Administration	1/1/2021	5.00%	\$ 165,000	\$ -	\$ 15,000	\$ 150,000	\$ 15,000
Revenue and general obligation bonds Series 2004 Water and Sewer Revenue and Tax Bond	6/25/2042	4.375%	116,858	-	1,320	115,538	1,907
Compensated absences			<u>5,124</u>	<u>1,146</u>	-	<u>6,270</u>	-
			<u>\$ 286,982</u>	<u>\$ 1,146</u>	<u>\$ 16,320</u>	<u>\$ 271,808</u>	<u>\$ 16,907</u>

Annual debt service requirements to maturity for bonds for business-type activities are as follows:

Years Ending <u>June 30</u>	<u>Bonds and Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 16,907	\$ 12,517	\$ 29,424
2014	16,992	11,682	28,674
2015	17,081	10,843	27,924
2016	17,174	10,000	27,174
2017	17,271	9,153	26,424
2018-2022	87,970	31,400	119,370
2023-2027	16,135	18,485	34,620
2028-2032	20,072	14,548	34,620
2033-2037	24,971	9,649	34,620
2038-2042	<u>30,965</u>	<u>3,556</u>	<u>34,521</u>
Total	<u>\$ 265,538</u>	<u>\$ 131,833</u>	<u>\$ 397,371</u>

Specific years for payment of compensated absences are not determinable and are not included in the table above. All enterprise fund debt is paid by the fund incurring the debt.

Tennessee law does not limit the amount of debt the Town can issue; however, the State of Tennessee requires the Town obtain approval to issue debt other than debt issued by referendum.

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**7. LONG-TERM DEBT - continued**

BUSINESS-TYPE ACTIVITIES - continued

The ordinances authorizing the issuance of water and sewer system revenue bonds created the debt service reserve and the repair and extension fund reserve. The gross revenues of the water and sewer system, after deduction of reasonable expenses of operations and maintenance, are pledged to such funds in amounts equal to the total annual principal and interest requirements of the bonds and amounts required to maintain the reserve funds.

**8. COMPONENTS OF RESTRICTED ASSETS**

Enterprise Funds

June 30, 2012

Debt service reserve fund	\$ 16,805
Combined debt service reserve and repair and extension fund	<u>75,000</u>
	<u>\$ 91,805</u>

The ordinances authorizing the water and sewer system revenue bonds requires that the Town establish the above revenue bond reserve. At June 30, 2012 the revenue bond reserve accounts were sufficient to satisfy such bond ordinance requirements.

**9. DEFINED BENEFIT PENSION PLAN**

Plan Description

Employees of the Town of Whiteville, Tennessee are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits, as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became 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, Chapters 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions, such as the Town of Whiteville, Tennessee, 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.

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**9. DEFINED BENEFIT 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://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

The Town of Whiteville, Tennessee requires employees to contribute 5.0 percent of earnable compensation.

The Town of Whiteville, Tennessee is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012 was 6.54% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Town of Whiteville, Tennessee is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2012, the Town of Whiteville, Tennessee's annual pension cost of \$44,204 to TCRS was equal to the Town of Whiteville, Tennessee's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The Town of Whiteville, Tennessee'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 10 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year <u>Ended</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
June 30, 2012	\$ 44,204	100.00%	\$ -
June 30, 2011	\$ 37,517	100.00%	\$ -
June 30, 2010	\$ 46,806	100.00%	\$ -

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**9. DEFINED BENEFIT PENSION PLAN – continued**

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 88.84% funded. The actuarial accrued liability for benefits was \$0.96 million, and the actuarial value of assets was \$0.85 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.11 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.59 million, and the ratio of the UAAL to the covered payroll was 18.20%.

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.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$851	\$958	\$107	88.84%	\$587	18.20%
July 1, 2009	\$620	\$661	\$41	93.87%	\$564	7.19%
July 1, 2007	\$520	\$566	\$46	91.87%	\$589	7.81%

The Town's employees also sheltered \$10,984 under a section 125 cafeteria plan.

**10. INTERFUND TRANSACTION**

A summary of interfund receivables and payables at June 30, 2012 is as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Fund – General Fund	\$ -	\$ 165,005
Nonmajor – Other Governmental Funds – Drug Fund	17,612	-
Nonmajor – Other Governmental Funds – Cemetery Perpetual Care	2,550	-
Nonmajor Enterprise Fund – Sanitation Fund	105	-
Major Enterprise Fund – Water and Sewer Fund	<u>144,843</u>	<u>105</u>
	<u>\$165,110</u>	<u>\$ 165,110</u>

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**10. INTERFUND TRANSACTION - continued**

<u>Fund</u>	<u>Interfund Transfers in</u>	<u>Interfund Transfers out</u>
Major Governmental Fund – General Fund	\$ 10,128	\$ -
Nonmajor Enterprise Fund – Sanitation Fund	<u>          -</u>	<u>10,128</u>
	<u>\$ 10,128</u>	<u>\$ 10,128</u>

The Major Governmental Fund – General Fund payables of \$165,005 represents \$17,612 due to Nonmajor Other Governmental Funds - Drug Fund for funds received by the General Fund and not transferred to the Drug Fund as of June 30, 2012 and \$2,550 due to Other Governmental Funds – Cemetery Perpetual Care Fund for cemetery perpetual care collections not remitted to the Cemetery Perpetual Care Fund as of June 30, 2012. \$144,843 was due to the Major Enterprise Fund - Water and Sewer Funds for reimbursements overpaid or expenses paid from the wrong account as of June 30, 2012. These receivables and payables are expected to be settled prior to June 30, 2013.

The Major Enterprise Fund – Water and Sewer Fund payables of \$105 represent \$105 due to the Nonmajor Enterprise Fund – Sanitation Fund for sanitation fees collected that had not been remitted prior to June 30, 2012.

There was a transfer of \$10,128 from the Nonmajor Enterprise Fund - Sanitation Fund to the Major Governmental Fund – General Fund resulting from funds created in the Nonmajor Enterprise Fund - Sanitation Fund for the year ended June 30, 2012.

The due to / due from category in the government-wide statement of activities of \$144,843 consists of the amount due to the Major Enterprise Fund – Water and Sewer Fund from the Major Governmental Fund – General Fund explained above.

**11. INTERGOVERNMENTAL REVENUES**

Intergovernmental revenues include the following:

<u>Governmental Funds</u>	
Gasoline and motor fuel tax	\$ 82,378
Gas 3 cent tax	24,604
Gas 1989 tax	13,256
Gasoline inspection fees	9,519
Income tax allocation	3,235
TVA and other payments in lieu of taxes	53,585
State beer tax allocation	2,277
In service training	4,800
State sales tax allocation	314,650
Telecommunication sales tax	258
Unauthorized substance tax	275
Library assistance – county	3,100
U S institute of museum and library services grant - federal	1,600
Governor's highway safety grant - federal	11,759
Community development block grant - federal	170,640

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
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**11. INTERGOVERNMENTAL REVENUES - continued**

Governmental Funds - continued

Home grant funds - federal	<u>187,419</u>
 Total Governmental Funds	 <u>\$ 883,355</u>

**12. LEASES**

Capital Lease

The Town has entered into a capital lease agreement for capital assets under which they will become the property of the Town when all terms of the lease agreement are met. The following schedules present the future minimum lease payments as of June 30, 2012.

**Governmental Activities:**

<b>Minimum Payments Years June 30</b>	<b>FMCC Capital Lease 2011 Chevrolet Tahoe Police Car</b>
2013	\$ 8,563
2014	8,563
2015	<u>2,856</u>
	19,982
Less: amounts representing interest	<u>1,435</u>
 Present value of minimum lease payments	 <u>\$ 18,547</u>

See Note 7 for interest rates used to compute amounts representing interest and other information pertaining to capital lease transactions.

Capital assets and related accumulated amortization under capital leases are as follows:

	<b>FMCC Capital Lease 2011 Chevrolet Tahoe Police Car</b>
Capital asset discounted cost	\$ 30,395
Less: Accumulated amortization	<u>15,805</u>
 Book value	 <u>\$ 14,590</u>

Amortization of leased equipment under capital assets is included with depreciation.

TOWN OF WHITEVILLE, TENNESSEE  
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**12. LEASES - continued**

Operating Leases

The Town has the following operating leases: the Town Hall copier lease requires payments of \$1,620 during the years ending June 30, 2013 and 2014. The police department copier lease requires payments of \$1,836 during the years ending June 30, 2013 and 2014. The Town paid rent during the year ended June 30, 2012 of \$3,456.

**13. NON COMPLIANCE WITH STATE LAW REVENUE BOND REQUIREMENTS AND GRANT REQUIREMENTS**

The Town did not comply with all the requirements of the State Department of Audit or loan requirements as set forth in the Internal Control and Compliance Manual for Tennessee Municipalities. The results of our tests disclosed instances of noncompliance listed on the schedule of findings and responses on pages 81 to 102. The ultimate resolution of these findings cannot presently be determined. Accordingly, no provision for any liabilities, if any, that may result has been recognized in the accompanying financial statements.

**14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The individual enterprise funds have the following net working capital (current assets less current liabilities) at June 30, 2012:

Water and Sewer Fund	\$864,439
Sanitation Fund deficit	(4,455)

The water and sewer fund is combined for both financial reporting and collateralizing debt with system revenues.

Enterprise funds operate in the Town of Whiteville, Tennessee geographic area. Their revenues are subject to the economic conditions of the Town of Whiteville, Tennessee. At June 30, 2012, the Town had extended credit to customers totaling \$78,881. These receivables are unsecured other than security deposits totaling \$38,123.

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**15. COMMITMENTS, CONTINGENCIES, UNCERTAINTIES, AND SUBSEQUENT EVENTS**

Litigation

The Town has entered into a lawsuit against the City of Bolivar, Tennessee in which the Town alleged that the City of Bolivar, Tennessee did not pay the correct amount of natural gas franchise fees and payment in lieu of taxes. The Town has been awarded \$89,484 which is included as a receivable on the accompanying financial statements.

Grant Audit

The Town receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal or state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Town's management, such disallowances, if any, will not be significant.

Other

The state gasoline taxes collected are comingled with general fund cash. The State of Tennessee requires state approval to comingle state street aid funds with general fund cash. As a requirement of the State of Tennessee approval, the Town is required to designate a portion of the general fund equity as reserved for state street aid fund. Due to the Town having expenditures each year for the street department that exceed the annual state gasoline tax collections, the Town has no reserve for state street aid funds at the end of the year.

Commitments

Effective October 1, 2011, the Town entered into a contract with CNP Waste Company. This contract expires September 30, 2016. This contract is for sanitation services at a fee of \$4,554 per month adjusted annually by a customer count and a 3% annual increase. This agreement will continue on 5 year increments unless terminated by either party with written notice at least 90 days prior to expiration of each 5 year term.

On July 1, 1998, the Town entered into a contract with Utility Service Co., Inc to provide professional services needed to maintain its 200,000 gallon water storage tank. This contract remains in effect until cancelled by notice prior to 120 days of anniversary date. The annual fee was adjusted in 2012 to \$8,428 and will be adjusted each third year thereafter to reflect the current cost of service, but will be limited to a maximum adjustment of 5% annually.

TOWN OF WHITEVILLE, TENNESSEE  
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**16. RELATED PARTY TRANSACTIONS**

The Town purchased insurance net of refunds from Bass Insurance Company, TML Risk Management Pool and CNA (agent, Bass Insurance Company), (a company owned by Mayor James Bellar) totaling \$108,241 during the year ended June 30, 2012. The Town owed TML Risk Management Pool \$26,279 at June 30, 2012. Bass Insurance Company is the only insurance company inside the town limits of the Town of Whiteville, Tennessee. In accordance with 6-54-107 et al of the Tennessee Code, the Mayor normally declares his conflict of interest prior to authorization of the expenditure and does not vote for expense authorization; however, two declarations of conflict were not made and two declarations were understated.

**17. ECONOMIC DEPENDENCE**

The Town sells water and provides sewer services to Whiteville Corrections and Hardeman County Corrections which accounts for approximately 29% and 45% of proprietary fund water and sewer revenues and approximately 25% and 36% of proprietary fund water and sewer receivables. The Town receives property taxes from Whiteville Corrections which accounts for approximately 47% of general fund property tax revenue and 39% of property taxes receivable. If these customers ceased operating in the Whiteville, Tennessee area, the Town's revenues would substantially decrease.

**18. RISK MANAGEMENT - CLAIMS AND JUDGMENTS**

Significant losses including comprehensive general liability, automobile liability, automotive collision and comprehensive, law enforcement, errors and omissions, standard workmen's compensation, property, equipment, employee dishonesty, forgery or alteration, theft, disappearance, or destruction, computer fraud, surety bond and notary bond are covered by the Tennessee Municipal League Risk Pool or commercial insurance for all major programs.

The Town has had no significant reduction in insurance coverage during the year ended June 30, 2012. There have been no settlements in excess of insurance coverage during the current or prior three years.

The Town is a member of the TML Risk Management Pool. The Town pays insurance premiums based on experience ratios. The Town does not expect to incur any liability in excess of insurance coverage.

TOWN OF WHITEVILLE, TENNESSEE  
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June 30, 2012

**19. INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT**

Investments in capital assets, net of related debt in the net asset section of the accompanying statement of net assets for the government-wide financial statements consist of the following:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land and construction in progress	\$ 206,406	\$ 54,299
Other capital assets (net of accumulated depreciation)	1,070,258	3,509,027
Less accounts payable capital assets	(7,765)	-
Less bonds and notes payable and capital leases	<u>(91,282)</u>	<u>(265,538)</u>
Investment in capital assets, net of related debt	<u>\$1,177,617</u>	<u>\$3,297,788</u>

**20. DISALLOWANCE OF CLAIM**

During the year ended June 30, 2011, the Town incurred a disaster loss due to a storm. The Town expected this loss to be partially reimbursed by FEMA; therefore, the prior year statement of activities reflected public works capital grants and contributions of \$15,008 and the statement of net assets reflected a receivable of \$15,008. FEMA did not reimburse the Town for this disaster loss. This receivable was removed from the Town's financial records during the year ended June 30, 2012 resulting in the current year statement of activities reflecting a negative public works capital grant and contributions of \$15,008. The fund financial statements were not affected due to the receivable being deferred.

**21. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS**

During the year ended June 30, 2012 the Town adopted the following Governmental Accounting Standards Board (GASB) standards.

Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans issued in December 2009, and become effective for the fiscal year ended June 30, 2012. The objective of this statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). Actuarial information as required by this standard was obtained from the State of Tennessee and disclosed in the notes to the financial statements.

Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions—An Amendment of GASB Statement No. 53 issued in June 2011, and become effective for the fiscal year ended June 30, 2012. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Implementation of this standard had no material effect on the Town's financial statement.

TOWN OF WHITEVILLE, TENNESSEE  
Notes to the Financial Statements  
June 30, 2012

**21. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS – continued**

The Governmental Accounting Standards Board (GASB) has issued six statements not yet implemented by the Town. The statements which might impact the Town are as follows:

Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements issued in November 2010, and will become effective for the fiscal year ending June 30, 2013. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this statement, a SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

Statement No. 61, The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No. 14 and No. 34 issued in November 2010, and will become effective for the fiscal year ending June 30, 2013. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements.

Statement No. 62, A Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements issued in December, 2010, and will become effective for the fiscal year ending June 30, 2013. The objective of this statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures

Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position issued in June 2011, and will become effective for the fiscal year ending June 30, 2013. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

TOWN OF WHITEVILLE, TENNESSEE  
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June 30, 2012

**21. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS – continued**

Statement No. 65, Items Previously Reported as Assets and Liabilities issued in March 2012, and will become effective for the year ending June 30, 2014. GASB Concepts Statement No. 4, Elements of Financial Statements, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in Concepts Statement No. 4. Based on those definitions, Statement No. 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.

Statement No. 66, Technical Corrections--2012 an amendment of GASB Statements No. 10 and No. 62 issued in March 2012, will become effective for the year ending June 30, 2014. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

This Statement also amends Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively.

The Town's management has not yet determined the effect these statements will have on the Town's financial statements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Required Supplementary Information**  
**Municipal Employees Pension Plan**  
**June 30, 2012**  
**(Dollar Amounts in Thousands)**

**1. Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$ 851	\$ 958	\$ 107	88.84%	\$ 587	18.20%
July 1, 2009	\$ 620	\$ 661	\$ 41	93.87%	\$ 564	7.19%
July 1, 2007	\$ 520	\$ 566	\$ 46	91.87%	\$ 589	7.81%

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

ASSETS	<u>Drug</u>	<u>Permanent Fund Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
Cash and cash equivalents	\$ 85,776	\$ -	\$ 85,776
Investments - certificates of deposit	-	41,141	41,141
Receivables (Net, where applicable of allowances for uncollectables)			
Interest	-	51	51
Inventory	1,750	-	1,750
Due from other funds	<u>17,612</u>	<u>2,550</u>	<u>20,162</u>
 TOTAL ASSETS	 <u>\$ 105,138</u>	 <u>\$ 43,742</u>	 <u>\$ 148,880</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Deferred revenues	<u>\$ 1,750</u>	<u>\$ 51</u>	<u>\$ 1,801</u>
Total Liabilities	<u>1,750</u>	<u>51</u>	<u>1,801</u>
FUND BALANCES			
Nonspendable	-	43,691	43,691
Restricted	<u>103,388</u>	<u>-</u>	<u>103,388</u>
Total Fund Balances	<u>103,388</u>	<u>43,691</u>	<u>147,079</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 105,138</u>	 <u>\$ 43,742</u>	 <u>\$ 148,880</u>

**TOWN OF WHITEVILLE, TENNESSEE**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the fiscal year ended June 30, 2012**

	<u>Drug</u>	<u>Permanent Fund Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>			
Fines, forfeits, and penalties	\$ 20,386	\$ -	\$ 20,386
Investment income	<u>48</u>	<u>370</u>	<u>418</u>
<b>Total Revenues</b>	<u>20,434</u>	<u>370</u>	<u>20,804</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
Public safety	8,476	-	8,476
Public works	-	370	370
Capital outlay	824	-	824
Debt service principal retirement	7,159	-	7,159
Debt service interest and fiscal charges	<u>1,417</u>	<u>-</u>	<u>1,417</u>
<b>Total Expenditures</b>	<u>17,876</u>	<u>370</u>	<u>18,246</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>2,558</u>	<u>-</u>	<u>2,558</u>
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,558	-	2,558
Fund balances--beginning	<u>100,830</u>	<u>43,691</u>	<u>144,521</u>
Fund balances--ending	<u>\$ 103,388</u>	<u>\$ 43,691</u>	<u>\$ 147,079</u>

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of General Long-Term Debt Principal and Interest**  
**Requirement by Fiscal Year**  
**June 30, 2012**

Year Ended June 30	Merchants & Planters Industrial Park Note Series 2002		Ford Motor Credit Company Capital Lease 2011 Chevrolet Tahoe		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 29,423	\$ 3,455	\$ 7,620	\$ 943	\$ 37,043	\$ 4,398
2014	30,821	2,057	8,110	453	38,931	2,510
2015	12,491	593	2,817	38	15,308	631
	<u>\$ 72,735</u>	<u>\$ 6,105</u>	<u>\$ 18,547</u>	<u>\$ 1,434</u>	<u>\$ 91,282</u>	<u>\$ 7,539</u>

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Long-Term Debt Principal and Interest Requirements by Fiscal Year**  
**Water and Sewer Fund**  
**June 30, 2012**

Year Ended June 30	Farmers Home Administration Bond Series 1981		Water and Sewer Revenue and Tax Bond Series 2004		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 15,000	\$ 7,500	\$ 1,907	\$ 5,017	\$ 16,907	\$ 12,517
2014	15,000	6,750	1,992	4,932	16,992	11,682
2015	15,000	6,000	2,081	4,843	17,081	10,843
2016	15,000	5,250	2,174	4,750	17,174	10,000
2017	15,000	4,500	2,271	4,653	17,271	9,153
2018	15,000	3,750	2,373	4,551	17,373	8,301
2019	20,000	3,000	2,479	4,446	22,479	7,446
2020	20,000	2,000	2,589	4,335	22,589	6,335
2021	20,000	1,000	2,705	4,219	22,705	5,219
2022	-	-	2,825	4,099	2,825	4,099
2023	-	-	2,951	3,973	2,951	3,973
2024	-	-	3,083	3,841	3,083	3,841
2025	-	-	3,221	3,703	3,221	3,703
2026	-	-	3,365	3,559	3,365	3,559
2027	-	-	3,515	3,409	3,515	3,409
2028	-	-	3,672	3,252	3,672	3,252
2029	-	-	3,836	3,088	3,836	3,088
2030	-	-	4,007	2,917	4,007	2,917
2031	-	-	4,186	2,738	4,186	2,738
2032	-	-	4,372	2,551	4,372	2,551
2033	-	-	4,568	2,356	4,568	2,356
2034	-	-	4,772	2,153	4,772	2,153
2035	-	-	4,985	1,940	4,985	1,940
2036	-	-	5,207	1,717	5,207	1,717
2037	-	-	5,440	1,485	5,440	1,485
2038	-	-	5,682	1,242	5,682	1,242
2039	-	-	5,936	988	5,936	988
2040	-	-	6,201	723	6,201	723
2041	-	-	6,477	446	6,477	446
2042	-	-	6,666	156	6,666	156
	<u>\$ 150,000</u>	<u>\$ 39,750</u>	<u>\$ 115,538</u>	<u>\$ 92,082</u>	<u>\$ 265,538</u>	<u>\$ 131,832</u>

TOWN OF WHITEVILLE, TENNESSEE  
Schedule of Interfund Transfers and Due to Other Funds  
For the fiscal year ended June 30, 2012

INTERFUND TRANSFERS

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Sanitation Fund	\$ 10,128
		<u>\$ 10,128</u>
<u>Due To</u>	<u>Due From</u>	
Water and Sewer Fund	General Fund	\$ 144,843
Drug Fund	General Fund	17,612
Sanitation Fund	Water and Sewer Fund	105
Cemetery Perpetual Care Fund	General Fund	<u>2,550</u>
		<u>\$ 165,110</u>

Note: The due to / due from category in the government-wide financial statement of \$144,843 is \$144,843 due to the business -type activity - water and sewer from the governmental activities - general.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Changes in Property Taxes Receivable**  
**June 30, 2012**

Tax Year	Property Tax Receivable Balance June 30, 2011	Property Taxes Levied	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Allowance for Uncollectibles	Net Receivable Balance June 30, 2012
2012	\$ -	\$ -	\$ 245,516	\$ -	\$ -	\$ (1,841)	\$ 243,675
2011	-	211,922	-	-	(198,624)	(1,330)	11,968
2010	15,792	-	-	-	(12,860)	(293)	2,639
2009	8,367	-	-	-	(8,135)	(188)	44
2008	200	-	-	-	-	(20)	180
2007	56	-	-	-	-	(49)	7
2006	36	-	-	-	-	(32)	4
2005	37	-	-	-	-	(33)	4
2004	59	-	-	-	-	(52)	7
2003	357	-	-	-	-	(320)	37
2002	81	-	-	-	-	(73)	8
2001	88	-	-	(88)	-	-	-
	<u>\$ 25,073</u>	<u>\$ 211,922</u>	<u>\$ 245,516</u>	<u>\$ (88)</u>	<u>\$ (219,619)</u>	<u>\$ (4,231)</u>	<u>\$ 258,573</u>

NOTES: All uncollected taxes for years prior to 2011 have been turned over to the Chancery Court of Hardeman County, Tennessee Clerk and Master for collection.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the fiscal year ended June 30, 2012**

<u>Federal Grantor/ Pass-through Grantor</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred</u>	<u>Disallowance of Claim</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending (Accrued) Deferred</u>
<u>Federal Awards</u>							
Direct Programs							
U.S. Department of Homeland Security Public Assistance Grant Program	97-036	Unknown	\$ (15,008)	\$ 15,008	\$ -	\$ -	\$ -
Total U.S. Department of Homeland Security			(15,008)	15,008	-	-	-
Pass-through programs from State of Tennessee							
U.S. Department of Housing and Urban Development Pass-through programs from State of Tennessee Home Investment Partnership Program	14.239	HM-10-48	(37,778)	-	225,197	187,419	-
U.S. Department of Housing and Urban Development Pass-through programs from State of Tennessee Department of Economic and Community Development Community Development Block Grants/States Program and Non Entitlement Grants in Hawaii	14.228	GG-11-34757-00	-	-	174,640	174,640	-
Total U.S. Department of Housing and Urban Development			(37,778)	-	399,837	362,059	-
U.S. Department of Transportation Pass-through programs from State of Tennessee Department of Transportation Alcohol Impaired Driving Counter Measures Incentive Grant	20.601	K8-11-187	-	-	4,492	4,492	-
U.S. Department of Transportation Pass-through programs from State of Tennessee Department of Transportation Alcohol Open Container Requirements	20.607	Z12GHS364	-	-	7,267	7,267	-
Total U.S. Department of Transportation			\$ -	\$ -	\$ 11,759	\$ 11,759	\$ -

See accompanying notes to schedule of expenditures of federal awards and state financial assistance.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the fiscal year ended June 30, 2012**

<u>Federal Grantor/ Pass-through Grantor</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred</u>	<u>Disallowance of Claim</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending (Accrued) Deferred</u>
U.S. Institute of Museum and Library Services Pass-through programs from State of Tennessee Library and Archives Grants to State	45.310	Unknown	\$ -	\$ -	\$ 1,600	\$ 1,600	\$ -
Total U.S. Institute of Museum and Library Services			-	-	1,600	1,600	-
Total Federal Awards			(52,786)	15,008	413,196	375,418	-
<u>State Financial Assistance</u>							
Community Enhancement Grant Funds	N/A	Unknown	29	-	-	-	29
Total State Financial Assistance			29	-	-	-	29
Total Federal and State Awards			\$ (52,757)	\$ 15,008	\$ 413,196	\$ 375,418	\$ 29

See accompanying notes to schedule of expenditures of federal awards and state financial assistance.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the fiscal year ended June 30, 2012**

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is a summary of the activity of the Town's federal and state grant programs presented on the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for enterprise funds in accordance with accounting principles generally accepted in the United States of America.

Note B – Disallowance of Claim

During the year ended June 30, 2011, the Town incurred a disaster loss due to a storm. The Town expected this loss to be partially reimbursed by FEMA; therefore, the prior year Schedule of Expenditures of Federal Awards and State Financial Assistance reflected expenditures of \$15,008 and a receivable of \$15,008. FEMA did not reimburse the Town for this disaster loss. This receivable was removed from the Town's financial records during the year ended June 30, 2012.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Table of Utility Rates in Force and Number of Customers**  
**June 30, 2012**  
**(Unaudited)**

Water Rates

First 2,000 gallons	\$8.00 (minimum bill)
Next 3,000 gallons	\$2.85 per 1,000 gallons
Next 5,000 gallons	\$2.40 per 1,000 gallons
Next 10,000 gallons	\$2.20 per 1,000 gallons
Next 30,000 gallons	\$1.85 per 1,000 gallons
Over 50,000 gallons	\$1.65 per 1,000 gallons

Sewer Rates

First 2,000 gallons	\$6.00 (minimum bill)
Over 2,000 gallons	\$1.50 per 1,000 gallons

Number of Customers at Year End

Water	615
Sewer	529
Garbage	517

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Unaccounted For Water**  
**June 30, 2012**  
**(Unaudited)**

*(All amounts in gallons)*

<b>A. Water Treated and Purchased:</b>		
B. Water pumped (potable)	194,639,000	
C. Water purchased	0	
<b>D. Total Water Treated and Purchased</b>		<b>194,639,000</b>
	<b>(Sum Lines B and C)</b>	
<b>E. Accounted for Water:</b>		
F. Water sold	149,715,142	
G. Metered for consumption (in house usage)	0	
H. Fire department usage	0	
I. Flushing	0	
J. Tank cleaning/filling	0	
K. Street cleaning	0	
L. Bulk sales	0	
M. Water bill adjustments	0	
<b>N. Total Accounted for Water</b>		<b>149,715,142</b>
	<b>(Sum Lines F thru M)</b>	
<b>O. Unaccounted for Water</b>		<b>44,923,858</b>
	<b>(Line D Minus Line N)</b>	
<b>P. Percent Unaccounted for Water</b>		<b>23.081%</b>
	<b>(Line O divided by Line D times 100)</b>	

**Q. Other (explain)** See below

Explain other:

None
------

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

**TOWN OF WHITEVILLE, TENNESSEE**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year Ended June 30,	Residential Property	Industrial and Commercial Property	Farm and Agricultural Property	Public Utility Property	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate Per \$1,000	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2003	\$ 5,603,400	\$ 15,204,112	\$ 186,725	\$ 742,942	Not available	\$ 21,737,179	\$ 7.800	\$ 64,568,318	33.67
2004	5,628,450	14,960,777	188,400	601,721	Not available	21,379,348	9.200	63,342,729	33.75
2005	5,785,225	14,971,527	81,375	801,225	Not available	21,639,352	9.200	63,896,833	33.87
2006	5,890,925	14,863,355	81,350	846,815	Not available	21,682,445	9.200	64,559,556	33.59
2007	6,901,975	18,236,080	102,875	1,169,838	Not available	26,410,768	7.741	77,162,909	34.23
2008	6,922,700	18,471,261	102,525	1,205,802	Not available	26,702,288	7.741	77,957,871	34.25
2009	6,941,575	18,722,542	181,500	1,849,599	Not available	27,695,216	7.741	80,226,706	34.52
2010	6,983,750	18,902,781	180,925	1,483,963	Not available	27,551,419	7.700	80,493,429	34.23
2011	6,995,225	18,876,283	171,600	1,480,315	Not available	27,523,423	7.700	80,394,454	34.24
2012	7,186,575	19,378,918	174,450	1,480,315	Not available	28,220,258	7.700	80,116,534	35.22

**Source:** Hardeman County, Tennessee Tax Assessor

**Note:** Property in Hardeman County is reassessed every six years on average. The County assesses property at approximately 55 percent on utility property, 40 percent on industrial and commercial property, and 25 percent for residential and agricultural. Estimated actual value was obtained from records provided by Hardeman County, Tennessee. The County assessment summary does not provide details of tax exempt property and is not available; therefore, the information presented above does not present all GASB 44 required items for a ten year period. The information marked not available could not be located by the Town. The property columns do not contain the assessed values for exempt properties. In accordance with GASB 44 available information has been presented.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Table of Outstanding Delinquent Taxes Filed With Chancery Clerk**  
**(Unaudited)**  
**June 30, 2012**

<u>Tax Year</u>	<u>Outstanding Balance</u>
2010	\$ 2,932
2009	232
2008	200
2007	56
2006	36
2005	37
2004	59
2003	357
2002	<u>81</u>
	<u>\$ 3,990</u>

**TOWN OF WHITEVILLE, TENNESSEE**  
**Nonmajor Governmental Funds**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance—Budget and Actual**  
**For the fiscal year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive/ Negative
<b>Drug Fund</b>				
<b>REVENUES</b>				
Drug related fines - Town	\$ -	\$ -	\$ 7,954	\$ 7,954
Drug related fines - County	35,000	35,000	12,432	(22,568)
Interest	-	-	48	48
Total Revenues	<u>35,000</u>	<u>35,000</u>	<u>20,434</u>	<u>(14,566)</u>
<b>EXPENDITURES</b>				
Operating supplies	6,400	6,400	2,476	3,924
Special investigative funds	10,000	10,000	6,000	4,000
Capital outlays	8,600	8,600	824	7,776
Debt service	-	-	8,576	(8,576)
Total Expenditures	<u>25,000</u>	<u>25,000</u>	<u>17,876</u>	<u>7,124</u>
<b>EXCESS (DEFICIENCIES) OF REVENUES OVER EXPENDITURES</b>	<u>10,000</u>	<u>10,000</u>	<u>2,558</u>	<u>(7,442)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Total Other Financing Sources (Uses)	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	10,000	10,000	2,558	(7,442)
Fund balance--beginning	<u>100,830</u>	<u>100,830</u>	<u>100,830</u>	<u>-</u>
Fund balance--ending	<u>\$ 110,830</u>	<u>\$ 110,830</u>	<u>\$ 103,388</u>	<u>\$ (7,442)</u>
<b>Cemetery Perpetual Care Fund</b>				
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 370	\$ 370
Total Revenues	<u>-</u>	<u>-</u>	<u>370</u>	<u>370</u>
<b>EXPENDITURES</b>				
Payments to general fund for maintenance	-	-	370	(370)
Total Expenditures	<u>-</u>	<u>-</u>	<u>370</u>	<u>(370)</u>
<b>EXCESS (DEFICIENCIES) OF REVENUES OVER EXPENDITURES</b>	-	-	-	-
Fund balance--beginning	<u>43,691</u>	<u>43,691</u>	<u>43,691</u>	<u>-</u>
Fund balance--ending	<u>\$ 43,691</u>	<u>\$ 43,691</u>	<u>\$ 43,691</u>	<u>\$ -</u>

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Official Bonds of Principal Officials**  
**For the fiscal year ended June 30, 2012**

<u>NAME</u>	<u>TITLE</u>	<u>Official Bond</u>
James Bellar	Mayor	\$ 500,000
Patricia Randolph	Town Recorder	500,000

**JONES & JONES**  
CERTIFIED PUBLIC ACCOUNTANTS  
OF BOONEVILLE PA

Kermit V Jones Jr., C.P.A.

Christopher D. Jones, C.P.A.

Jeremy D Jones, C.P.A.

David W. Jones, C.P.A.

**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 Mayor and Board of Alderpersons  
Town of Whiteville, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Whiteville, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise the Town of Whiteville, Tennessee's basic financial statements and have issued our report thereon dated December 28, 2012. The report on governmental activities was qualified because the Town does not maintain an annual inventory of capital assets and we were unable to form an opinion regarding the existence of and the amounts at which capital assets (net of accumulated depreciation) are recorded in the accompanying Statement 1 – Statement of Net Assets (governmental activities) at June 30, 2012 (stated at \$1,276,664) and the amounts at which the related depreciation expense (stated at \$74,755) is recorded in the accompanying Statement 2 – Statement of Activities (governmental activities). Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

## Internal Control Over Financial Reporting - continued

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. These findings and responses are labeled as items 25, 26, 27, 29, 32, 34, and 35.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. These findings and responses are labeled as items 28, 30, 31, and 33.

### Compliance and Other Matters

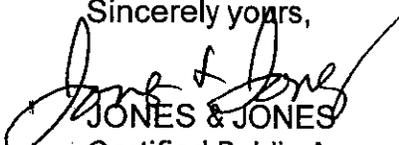
As part of obtaining reasonable assurance about whether Town of Whiteville, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, and 24.

We noted certain matters that we reported to management of Town of Whiteville, Tennessee in a separate letter dated December 28, 2012.

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

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

Sincerely yours,



JONES & JONES

Certified Public Accountants  
of Booneville, PA

December 28, 2012

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the fiscal year ended June 30, 2012**

**Instances of Noncompliance Material to the Financial Statements**

Finding Number 1

**Condition:** A Town vehicle is being used for personal purposes.

**Criteria:** Town owned vehicles should not be used for personal purposes.

**Effect:** The volunteer fire chief, who is not a regular employee of the Town, has been provided a Town owned vehicle which is apparently being used as a personal vehicle, including driving back and forth to his non-Town job.

**Cause:** This vehicle was previously parked at the fire station and was used only when there was a fire. The volunteer fire chief requested he be allowed to drive this vehicle and was apparently given permission.

**Recommendation:** We recommend the Town stop allowing the volunteer fire chief to use this vehicle like a personal vehicle. The Town should obtain reimbursement for the personal use of this vehicle.

**Response:** We will discuss this matter with the Board of Alderpersons and our attorney and follow their recommendation.

Finding Number 2

**Condition:** The Town is not performing an annual inventory of governmental fund capital assets. Capital assets are not tagged for proper identification.

**Criteria:** Tennessee Department of Audit requires the Town to maintain detailed general fixed asset records. Annual inventories should be taken and compared to general fixed asset records. General fixed assets should be tagged for proper identification.

**Effect:** The Town did not take an annual governmental fund capital asset inventory. The Town's governmental fund capital assets are not identified with a tag or other identification method. This caused the auditors' opinion on the government-wide financial statements to be qualified.

**Cause:** The Town officials have not established the required fixed asset records.

**Recommendation:** The Town should inventory and permanently tag all Town general fixed assets. These general fixed assets should be valued at cost or estimated cost if donated or cost is not available. The Town should take an annual inventory and establish detailed general fixed asset records.

**Response:** We have a partial list of general fixed assets, but we have not established costs or estimated costs.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the fiscal year ended June 30, 2012**

**Instances of Noncompliance Material to the Financial Statements - continued**

Finding Number 3

**Condition:** Financial information and claim approval is not being provided to the Board of Alderpersons.

**Criteria:** The Board of Alderpersons cannot meet the requirements of the Internal Control and Compliance Manual for Tennessee Municipalities if they are not provided with the Town's financial information.

**Effect:** The Board of Alderpersons is not provided monthly financial statements. The Board of Alderpersons does not receive a list of monthly and year to date expenditures compared to budget. The Board of Alderperson's minutes do not reflect claim approval prior to payment.

**Cause:** The Town has not been preparing monthly financial statements. The monthly claims are not being presented to the Board of Alderperson's for approval.

**Recommendation:** The Town should provide the Board of Alderpersons with monthly balance sheets and income statements compared to budget showing both monthly and year to date information. The Board should be provided with a list of all expenditures paid during the month for their review and approval. The Board of Alderpersons should review and approve all claims prior to payment. The Board of Alderpersons is ultimately responsible for all expenditures.

**Response:** We concur with the recommendation.

Finding Number 4

**Condition:** Expenditures exceeded budget.

**Criteria:** State law requires purchases to remain within budgeted amounts.

**Effect:** The Town had the following budget overruns:

General Fund

General Government

Legislative – memberships registration	\$ 1,642
Legislative – legal services	17,957
Judicial – bank charges	40
Financial administration – salaries	3,688
Financial administration – employee education and training	202
Financial administration – accounting and audit	2,750
Financial administration – office supplies	47
Financial administration – bank charges	384
General government buildings – operating supplies	2,355
General government buildings – repair and maintenance	276
General government buildings – sundry	120
Industrial buildings and grounds – electricity	625

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the fiscal year ended June 30, 2012**

**Instances of Noncompliance Material to the Financial Statements - continued**

Finding Number 4 - continued

**Effect:** The Town had the following budget overruns - continued:

General Fund

General Government

Public relations \$ 176

Public Safety

Police – telephone 1,085

Police – medical 125

Police – repair and maintenance service 162

Police – vehicle maintenance 3,768

Police – other repairs and maintenance 4,496

Police – uniforms 1,565

Police – gasoline and oil 37,668

Drug investigation and control – operating supplies 3,977

Drug investigation and control – special funds 201

Fire – salaries 8,085

Fire – electricity 363

Fire – other professional services 2,129

Fire – operating supplies 235

Public Works

Street – repair and maintenance 1,363

Cemetary – supplies 1,038

Culture and Recreation

Park – supplies 445

Park – repair and maintenance 618

Library – education and training 132

Library – supplies 3,436

Community development – housing construction grant 188,128

Capital Outlay – police department 4,092

Capital Outlay – fire department 6,190

Drug Fund

Debt service 8,576

Cemetery Perpetual Care Fund

Payments to general fund for maintenance 370

Enterprise Fund – Water and Sewer

Training 501

Telephone 6,121

Professional services 99

Repairs and maintenance other 1,712

Insurance 4,621

Depreciation 14,935

Retirement of bank notes and capital leases 14,946

Bad debts 5,158

Capital outlays 268

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the fiscal year ended June 30, 2012**

**Instances of Noncompliance Material to the Financial Statements - continued**

Finding Number 4 – continued

**Cause:** The Town Recorder did not amend all categories of the budget presented to the Board of Alderpersons.

**Recommendation:** Budgets should be reviewed monthly and amendments made by the Board of Alderpersons when necessary.

**Response:** We concur with the recommendation.

Finding Number 5

**Condition:** Fidelity bonds are insufficient to meet Rural Development bond requirements.

**Criteria:** The Rural Development bond resolutions and conditions require the Town to provide a fidelity bond on the secretary and treasurer in an amount of at least the maximum amount of money the borrower will have on hand at any one time.

**Effect:** At June 30, 2012, the Town had fidelity bonds of \$500,000 on each occurrence. The funds and investments on hand at June 30, 2012 in the Water and Sewer System totaled \$780,345. The fidelity bond was \$280,345 under the minimum amount.

**Cause:** The Town did not increase its fidelity bond when funds increased.

**Recommendation:** The Town should either increase its fidelity bond coverage to the minimum amount required by Rural Development or obtain a waiver from Rural Development.

**Response:** We increased our employee dishonesty bond to \$500,000. This is all we could get.

Finding Number 6

**Condition:** The Town did not maintain records of the water used by the Town nor bill other departments for water and sewer used prior to March 21, 2012. The Town does not compare water pumped to water sold to determine lost water percentage.

**Criteria:** The Town is required to pay the water and sewer department for utilities used by each department. The Town should maintain records of water and sewer usage and monitor water loss monthly.

**Effect:** The water and sewer department does not maintain records of Town usage of water and sewer utilities prior to March 21, 2012. During the year ended June 30, 2012, the Town pumped 194,639,000 gallons of water but sold only 149,715,142 gallons. The lost gallons of water totaled 44,923,858 gallons or 23.081%.

**Cause:** The Town could not determine the cause for the water loss.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the fiscal year ended June 30, 2012**

**Instances of Noncompliance Material to the Financial Statements - continued**

Finding Number 6

**Recommendation:** We recommend the Town compare gallons pumped to gallons sold monthly and research unusual differences.

**Response:** We concur with the recommendation.

Finding Number 7

**Condition:** Board approval and declaration of conflict of interest on related party insurance purchases were not always made.

**Criteria:** Tennessee Code 6-54-107 et al allows related party insurance purchases as long as there is no other source of these items within the Town's municipal limits and the related party declares his conflict of interest and does not vote on the purchase.

**Effect:** On September 15, 2011 the Town issued a check to TML Insurance for \$18,096.19 that was \$2,230 more than the approved amount. On September 22, 2011 the Town issued a check to TML Insurance for \$1,398 which was not approved. On November 9, 2011, the Town issued a check to TML insurance for \$33,906.05 which was \$16,504.67 more than the approved amount. On May 24, 2012 the Town issued a check to TML Insurance for \$16,162 which was not approved. Mayor James Bellar is the primary stockholder of Bass Insurance Company which is the agent for TML Insurance. Bass Insurance Company is the only insurance agent within the Town's municipal limits that sells this type of insurance. The Board of Alderperson's minutes did not reflect the approval of these disbursements or the Mayor's declaration of his conflict of interest for these disbursements.

**Cause:** This was an apparent oversight.

**Recommendation:** The Board of Alderperson's minutes should contain evidence of authorization to pay and the Mayor's declaration of his conflict of interest prior to purchase and payment.

**Response:** We concur with the recommendation.

Finding Number 8

**Condition:** Interfund due to/from other fund loans resulting from funds paid from the wrong account and funds not timely transferred were not approved by the Board of Alderpersons.

**Criteria:** The Board of Alderpersons should approve all interfund loans or transfers. Funds should be transferred to the appropriate account timely when collected for another fund or deposited to the wrong account.

**Effect:** At June 30, 2012 the Town water and sewer fund owed other funds \$105, and the general fund owed other funds \$165,005.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the fiscal year ended June 30, 2012**

**Instances of Noncompliance Material to the Financial Statements - continued**

Finding Number 8 - continued

**Cause:** The water and sewer fund did not timely transfer the sanitation funds to the appropriate account. The general fund did not transfer required funds to the drug fund or the cemetery perpetual care fund. The general fund received an excess reimbursement from the water and sewer fund and water and expenses were paid from wrong account.

**Recommendation:** We recommend the Town immediately repay the interfund loans. All interfund loans and transfers should be approved by the Board of Alderpersons.

**Response:** We concur with the recommendation; some have already been repaid.

Finding Number 9

**Condition:** In our test of payroll expenses, we noted employees were overpaid.

**Criteria:** Employees should not be paid while they are off for lunch. Employees should be paid authorized pay rates. Time records should maintain time started and time ended.

**Effect:** In our test of 1 week's payroll, we noted two office employees worked only 7 hours per day, but were being paid for 8 hours per day. This amounted to a difference of \$152. We noted one employee was given an unexplained raise without approval by the Mayor or Board of Alderpersons for the period July 1, 2011 to November 23, 2011. This amounted to a difference of \$2,758. We noted one employee was on salary plus overtime and no time sheets were provided to document overtime paid. There was no overtime paid during the time period selected. Management received a refund that included the \$2,758 unexplained raise mentioned above.

**Cause:** The Town was paying office employees for their lunch hour. The Town officials were not requiring employees to properly complete time records.

**Recommendation:** The Town should pay employees only for time actually worked. All employee raises and promotions should be authorized by the Board of Alderpersons. Management should consider requiring employees to punch a time clock and pay only for hours worked at the properly approved rate of pay. Management should not pay overtime to salaried employees without properly completed and approved time records.

**Response:** We will discuss this situation with the Mayor and Board of Alderpersons and follow their direction.

Finding Number 10

**Condition:** The Town provided reduced rent without Board of Alderperson's approval.

**Criteria:** The Town officials do not have authority to provide reduced rent without Board of Alderperson's authorization and justification.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the fiscal year ended June 30, 2012**

**Instances of Noncompliance Material to the Financial Statements - continued**

Finding Number 10 – continued

**Effect:** The Town leases a building to a local church for \$100 per month which appears to be less than fair rental value.

**Cause:** The church has been renting the building for \$100 for some time.

**Recommendation:** The Town should determine a fair rental value for the church building. The Town should require the church to get utilities in the church's name.

**Response:** We will consult with the Board of Alderpersons on the church building.

Finding Number 11

**Condition:** Unclaimed meter deposits are not being turned over to unclaimed property.

**Criteria:** Once a water and sewer customer stops using these services, the Town is required to confiscate these meter deposits for nonpayment or refund these deposits. If the customer cannot be located, the deposit is required to be turned over to unclaimed property.

**Effect:** The Town had customers move away without receiving a meter deposit refund. These unclaimed meter deposits have not been turned over to unclaimed property during the year ended June 30, 2012.

**Cause:** Unclaimed meter deposits are not being turned over to unclaimed property.

**Recommendation:** We recommend the Town refund or confiscate unused meter deposits. If the Town cannot locate the former customers, the meter deposit should be turned over to unclaimed property. Since the Town is no longer charging a meter deposit, the Town might consider refunding all remaining meter deposits to avoid this situation in the future.

**Response:** We will determine the meter deposits requiring refund and either confiscate, refund or turn over to unclaimed property.

Finding Number 12

**Condition:** Payroll time records are being turned in before the work week is completed.

**Criteria:** Payroll should be paid based on time actually worked, not anticipated time to be worked.

**Effect:** The payroll time records are turned in Thursday morning for anticipated work that will occur for the rest of the day including the night shift. If the employee went home early or worked overtime, this will not be included in the payroll check and might not be corrected on the following payroll check.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the fiscal year ended June 30, 2012**

**Instances of Noncompliance Material to the Financial Statements - continued**

Finding Number 12 - continued

**Cause:** Payroll checks for the week ended on Thursday are given out on Friday morning and the Town Recorder does not have enough time to complete the payroll checks if time records are turned in after the work week is completed.

**Recommendation:** We recommend the time records not be turned in until after the work week is completed. The Town should consider changing the day payroll checks are given out from Friday to Monday, or changing the work week to end on Wednesday instead of Thursday.

**Response:** We will consult with the Board of Alderpersons and follow their recommendation.

Finding Number 13

**Condition:** Salaried employees are not being required to maintain time records even nonexempt salaried employees. Compensated absence and sick pay time is not always being removed from records when a salaried employee did not work the full work week.

**Criteria:** All employees should maintain time records of hours worked. Compensated absences and sick pay should be applied to salaried people when they do not work all forty hours during a work week. Nonexempt salaried employees are required to be paid overtime if they work over 40 hours during a work week.

**Effect:** These employees are not maintaining records of time worked; therefore, the use of compensated absences or sick pay days for time not worked cannot be determined. It appears that at least one of these salaried employees regularly takes off during the week, which should require the use of a compensated absence day.

**Cause:** The information to determine compensated absence use or potential overtime is not being turned in to the Town Recorder.

**Recommendation:** The Board of Alderpersons should require all full-time salaried employees maintain time records to document overtime and compensated absence and sick day use.

**Response:** We will request all employees to turn in time records.

Finding Number 14

**Condition:** The Town has cash funds that are not collateralized in accordance with State laws.

**Criteria:** State laws require the Town to obtain Category 1 collateral for all deposits.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the fiscal year ended June 30, 2012**

**Instances of Noncompliance Material to the Financial Statements - continued**

Finding Number 14 - continued

**Effect:** The Town had funds totaling \$1,205 on deposit with PayPal at June 30, 2012. Funds varied throughout the year. PayPal deposits do not appear to be covered by FDIC insurance. The Town has no collateral pertaining to these deposits.

**Cause:** The Town uses PayPal to collect certain police fines and make certain online purchases.

**Recommendation:** The Town should determine if PayPal is covered by FDIC insurance. The Town should only have deposits with institutions covered with Category 1 collateral.

**Response:** We will determine if PayPal is covered by FDIC insurance. We will either keep funds on deposit with PayPal low or change to the State clearing fund.

Finding Number 15

**Condition:** The Town experienced a cash shortage.

**Criteria:** State laws prohibit the misuse of Town funds.

**Effect:** On July 19, 2011 the Town Recorder performed a cash count of an employee's cash drawer while the employee was off on vacation. This cash count indicated the cash drawer was short by \$40. The \$40 was repaid on July 25, 2011.

**Cause:** There was a lack of segregation of duties that led to the opportunity for the \$40 cash shortage. In addition, deposits were not being made daily.

**Recommendation:** We recommend the Town Recorder and Mayor or a Board of Alderperson representative balance all monthly collection reports to the general ledger.

**Response:** We concur with the recommendation.

Finding Number 16

**Condition:** An ineligible expense was paid for work done on private property.

**Criteria:** The Town cannot pay for work done on private property that does not benefit the Town as a whole.

**Effect:** Water and sewer check number 1727 included a \$300 payment for one half of a tank and pump system installed on private property so a contractor could hook up to the sewer system. The house was too low for gravity feed. This expenditure only benefited the contractor and not the Town as a whole. This appears to be an ineligible expenditure.

**Cause:** Town officials agreed to pay for one half of the cost of the tank and pump system.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the fiscal year ended June 30, 2012**

**Instances of Noncompliance Material to the Financial Statements - continued**

Finding Number 16 - continued

**Recommendation:** The Town should not pay for any expense on private property.

**Response:** We felt this expenditure was in the interest of the Town to maintain goodwill.

Finding Number 17

**Condition:** The Town did not obtain advertised competitive bids for all required items.

**Criteria:** Title 2 Section 6 of the Tennessee Code requires competitive bids for management services for construction projects. The State of Tennessee requires three requests for proposals be mailed for engineering services. The Town should maintain documentation the three requests were mailed and documentation of the selection process. Contracts should be obtained and maintained for this type of professional services. The Town's purchasing policy requires public advertisement and competitive bidding for the purchase of all goods and services exceeding \$4,000 except for those purchases specifically exempt from advertisement and bidding by the Municipal Purchasing Act of 1983.

**Effect:** The Town had cash disbursements of \$137,743 to United Health and \$14,899 to Blue Cross Blue Shield for medical insurance premiums. No bids were obtained on either of these two vendors. The Town paid Wayne Wooden \$8,390 for asphalt repairs. No bids were obtained. There was no evidence the Town advertised for request for proposals for administrative services for home grant totaling \$17,708.

**Cause:** The Town overlooked the bid law requirements.

**Recommendation:** We recommend the Town follow its bid law requirements for purchases exceeding \$4,000.

**Response:** We will obtain bids on all purchases exceeding \$4,000.

Finding Number 18

**Condition:** The water and sewer fund reported a negative change in net assets during the years ended June 30, 2010, 2011 and 2012.

**Criteria:** Section 68-221-1010 *Tennessee Code Annotated* provides that should the system incur a negative change in net assets for two consecutive years, it will meet one of the criteria defining a financially distressed system. If this occurs, the State of Tennessee Division of Municipal Audit will be required to refer financially distressed systems to the Water and Wastewater Financing Board.

**Effect:** The water and sewer fund has experienced a negative change in net assets of \$(61,019), \$(88,803), and \$(75,996) during the years ended June 30, 2010, 2011 and 2012.

**Cause:** Expenses increased faster than revenues.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the fiscal year ended June 30, 2012**

**Instances of Noncompliance Material to the Financial Statements - continued**

Finding Number 18 - continued

**Recommendation:** Management should consult with its engineer and increase water and sewer rates to result in an increase in net assets.

**Response:** We increased water and sewer rates for July 2012. The Board of Alderpersons, based on citizen pressure, rescinded the water and sewer rate increase. We are consulting with MTAS to determine the water and sewer rate increase required.

Finding Number 19

**Condition:** The Town did not remit proceeds from confiscated DUI vehicles to the State Health Department or sell at auction DUI confiscated vehicles on hand by June 30, 2012.

**Criteria:** TCA 40-33-211 provides for the revenue from the sale of vehicles confiscated for driving under the influence or driving on a revoked driver's license be turned over to the State Health Department by June 30 of each year after withholding funds used to compensate the Town for reasonable and direct expenses involved in the confiscation, towing, storage, and sale of forfeited vehicles.

**Effect:** The Town received \$6,125 proceeds from confiscated DUI vehicles during the year ended June 30, 2011 that was not remitted to the State Health Department prior to June 30, 2012. The Town had one DUI confiscated vehicle in inventory that had not been sold or proceeds remitted to the State Health Department prior to June 30, 2012.

**Cause:** This was an apparent oversight.

**Recommendation:** We recommend the Town determine the amount due to the State Health Department and remit the net proceeds immediately.

**Response:** We will contact MTAS and determine the correct procedure to follow.

Finding Number 20

**Condition:** The Town does not maintain complete copies of its cancelled checks and deposit slips.

**Criteria:** Title 5, Chapter 11, Section 9 of the June 2010 *Internal Control and Compliance Manual for Tennessee Municipalities* states although by State law cancelled checks must be maintained, because of current national legislation, cancelled checks may not be available. If imaged statements are issued, the municipality should require the bank to include both the front and back of each check and deposit slip, and require the images to be of such quality and size that they are clearly legible.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the fiscal year ended June 30, 2012**

**Instances of Noncompliance Material to the Financial Statements - continued**

Finding Number 20 - continued

**Effect:** The imaged statements provided to the Town by the various banks include only the front side of the checks and deposit slips.

**Cause:** The Town feels the cost of obtaining the back copy of the check is prohibitive.

**Recommendation:** We recommend the Town require its banks to provide both the front and back of all checks and deposit slips.

**Response:** Obtaining copies of the back of cancelled checks is cost prohibitive.

Finding Number 21

**Condition:** Revenues collected are not being deposited daily.

**Criteria:** Title 5, Chapter 11 Section 1 of the *Internal Control and Compliance Manual for Tennessee Municipalities* provides that collections should be deposited daily, if possible, but no more than three days after the initial collection.

**Effect:** We noted a March 15, 2011 check was not deposited until November 15, 2011. We noted daily deposits were not being made. This was corrected in January, 2012.

**Cause:** The Town Recorder was not making timely deposits.

**Recommendation:** We recommend the Town instruct its personnel to make daily deposits, if possible, but always make deposits within three days.

**Response:** We began making daily deposits or deposits within three days during January, 2012.

Finding Number 22

**Condition:** Ineligible loans were made to an employee.

**Criteria:** The Town cannot make loans to its employees.

**Effect:** The Town is authorized to withhold certain amounts from employee's pay checks and remit the funds to pay to a bank for the employee's benefit. During the year ended June 30, 2012, the Town remitted \$778 more to the bank for the employee's benefit than was withheld from the employee's payroll.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the fiscal year ended June 30, 2012**

**Instances of Noncompliance Material to the Financial Statements - continued**

Finding Number 22 - continued

**Cause:** The Town was remitting payment to the bank based upon a bank payment notice instead of remitting the amount withheld from the employee's payroll. Apparently the wrong amount was being withheld.

**Recommendation:** We recommend the Town recover the overpayment of \$778 from these employees and change the authorized withholdings to the required amount. The Town should only remit the funds that have been withheld from employee's payroll.

**Response:** We concur with the recommendation.

Finding Number 23

**Condition:** Board of Alderpersons authorization is not being obtained for new hires and wage rate increases.

**Criteria:** The personnel policy gives the Mayor the right to terminate, promote, and reject applications for new hires, but does not give the Mayor the right to hire and give pay rate increases.

**Effect:** The Town hired a new office employee and gave a pay rate increase to an office personnel without Board of Alderperson approval.

**Cause:** The Mayor thought he had the authority to hire and give pay raises.

**Recommendation:** We recommend the Board of Alderpersons review the hiring of the new employee and the pay raises given and either approve or reject them.

**Response:** We will bring this up with the Board of Alderpersons.

Finding Number 24

**Condition:** The Town did not comply with all requirements of the Home Investment Partnership Program.

**Criteria:** The compliance supplement and grant contract specifies various compliance requirements.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the fiscal year ended June 30, 2012**

**Instances of Noncompliance Material to the Financial Statements - continued**

Finding Number 24 - continued

**Effect:** We noted the contract required each recipient to pay for \$500 of the cost of the new home. The Town made these payments instead of payments being made by the recipient. There were two houses completed during the year. The Town is rehabbing only 5 houses while the grant agreement requires 8. The Town did not comply with the 3 day \$5,000 rule for cash management. The Town had funds on hand totaling \$37,303 from July 1, 2011 to July 8, 2011, \$47,804 from August 10, 2011 to August 12, 2011, \$7,123 from August 13, 2011 to August 29, 2011, \$7,098 from August 30, 2011 to September 22, 2011, \$12,769 from September 23, 2011 to October 7, 2011, and \$10,269 from October 8, 2011 to October 14, 2011.

**Cause:** The Town Recorder did not understand all compliance requirements.

**Recommendation:** We recommend the Town Recorder become familiar with all compliance requirements for grants.

**Response:** We concur with the recommendation.

**Significant Deficiencies or Material Weaknesses**

Finding Number 25

**Condition:** As noted in finding numbers 1 through 24, there were violations of certain State laws and loan agreements.

**Criteria:** Internal controls should be in place to prevent violations of laws and loan agreements.

**Effect:** See effect of condition as listed in finding numbers 1 through 24.

**Cause:** The Town did not have controls in place to prevent noncompliance. See cause of condition as listed in finding numbers 1 through 24.

**Recommendation:** We recommend the Town install procedures to review each problem noted in finding numbers 1 through 24.

**Response:** We will install procedures to prevent noncompliance.

Finding Number 26

**Condition:** The Town outsources financial statements, related notes, and supplementary information preparation.

**Criteria:** Part of effective internal control over financial reporting is the ability to adequately produce financial statements in accordance with generally accepted accounting principles.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the fiscal year ended June 30, 2012**

**Significant Deficiencies or Material Weaknesses - continued**

Finding Number 26 - continued

**Effect:** The Town must incur the expense of outsourcing the preparation of the financial statements, related notes, and supplementary information.

**Cause:** As is normal for towns of this type and size, the Town's staff and management do not have the required technical expertise to meet the above criteria.

**Recommendation:** Due to the size of the Town and the cost of hiring additional staff, no change is recommended.

**Response:** We agree with the finding, but feel the Town is best served by continuing to outsource the preparation of financial statements, related notes, and supplementary information. This is less costly than hiring additional staff to perform these tasks.

Finding Number 27

**Condition:** The general ledger did not contain entries to record all monthly billings for water, sewer and garbage.

**Criteria:** Internal controls should be in place and functioning to record all water, sewer and garbage revenue billings in the Town's general ledger.

**Effect:** The Town Recorder did not record water, sewer and garbage billings for the month ended June 30, 2012.

**Cause:** This was an apparent oversight.

**Recommendation:** The Town Recorder should record water, sewer and garbage billings monthly in the general ledger.

**Response:** We concur with the recommendation.

Finding Number 28

**Condition:** Various payroll reports and sales tax returns were filed late resulting in penalties being paid.

**Criteria:** Internal controls should be in place to require timely filing of all government reports.

**Effect:** Various reports were filed late resulting in penalties of approximately \$534.

**Cause:** Management was not monitoring filing dates for reports.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the fiscal year ended June 30, 2012**

**Significant Deficiencies or Material Weaknesses - continued**

Finding Number 28 - continued

**Recommendation:** Management should instruct its personnel to develop a calendar of due dates for government report filing. This calendar should be monitored daily to ensure all government reports are filed timely.

**Response:** We concur with the recommendation.

Finding Number 29

**Condition:** Lack of segregation of duties.

**Criteria:** Town officials should enforce division of duties to provide a system of checks and balances so no one person has control over a complete transaction from beginning to end.

**Effect:** The Town has employees who handle both cash collections and expenditures and record keeping, as well as ordering and receiving.

**Cause:** The Town does not have enough employees to have an adequate segregation of duties.

**Recommendation:** The Town does not have the need to hire additional employees; therefore, the Mayor and Board of Alderpersons should review all financial records to ensure accuracy.

**Response:** We concur with the recommendation.

Finding Number 30

**Condition:** The general ledger contained multiple postings to the wrong account.

**Criteria:** Controls should be in place requiring the posting of the disbursements and revenues to the appropriate general ledger account.

**Effect:** The general ledger contained multiple errors in posting requiring numerous adjustments.

**Cause:** This was an apparent oversight.

**Recommendation:** Management should remind the bookkeeper of the importance of posting transactions to the correct general ledger account.

**Response:** We concur with the recommendation.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the fiscal year ended June 30, 2012**

**Significant Deficiencies or Material Weaknesses - continued**

Finding Number 31

**Condition:** All bank accounts do not require dual signatures.

**Criteria:** Effective internal controls require two authorized signatures on all checks.

**Effect:** The disbursements made from the community center bank account, the home grant account, and the special drug fund account, are being signed only by the Town Recorder. The PayPal transactions are being authorized only by the Town Recorder. We noted there were checks that cleared the bank in most accounts that contained only one signature.

**Cause:** Management has never required two signature these three accounts. The other accounts were apparent oversights.

**Recommendation:** Management should remind its personnel the requirement for dual signatures apply to all disbursements made.

**Response:** We have instructed our Town Recorder to require all checks written to contain two authorized signatures.

Finding Number 32

**Condition:** Internal controls over disbursements are inadequate. Invoices are not being timely paid.

**Criteria:** Internal controls should be in place and functioning that require purchase orders and invoice approval. Internal controls should be in place requiring all invoices be timely paid.

**Effect:** In our test of 158 cash disbursements we noted the following:

- A. 158 disbursements did not contain a purchase order.
- B. 158 disbursements did not contain evidence of approval by an appropriate official.
- C. 4 disbursements were coded to the wrong general ledger account.
- D. 1 invoice paid an expense on personal property of \$300.
- E. 1 check from the Water and Sewer Fund reimbursed the General Fund for medical insurance based on a guess instead of actual paid.

We noted the Board of Alderperson's minutes did not reflect claim approval.

**Cause:** The Town does not require invoice approval by an appropriate official prior to payment. The Town uses a purchase order system but does not match purchase orders and paid invoices.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the fiscal year ended June 30, 2012**

**Significant Deficiencies or Material Weaknesses - continued**

Finding Number 32 - continued

**Recommendation:** We recommend the Town establish internal controls that require the matching of purchase orders with invoices prior to payment. We also recommend the Town establish a procedure to require a designated board member to approve and initial all invoices prior to payment.

**Response:** We will consult with the Board of Alderpersons and determine the internal controls that need to be installed.

Finding Number 33

**Condition:** The Town has excess cash in checking accounts or savings accounts that receive minimum interest rates.

**Criteria:** It is in the best interest of the Town to invest excess funds in certificates of deposit or other investments authorized by Tennessee law.

**Effect:** At June 30, 2012, the Town had checking accounts and savings totaling \$804,347 that were earning less than certificate of deposit interest rates. Interest rates on debt are as high as 6.25%. We also noted the Town does not check with other banks to obtain the best interest rates.

**Cause:** Excess funds were being maintained in checking accounts instead of being invested or paid on debt.

**Recommendation:** We recommend all excess funds be invested in accordance with Tennessee law. The Town could consider paying off certain high interest debt early with the excess funds.

**Response:** We are checking with the various banks to determine the best interest rate. We will determine the excess funds on hand and invest the excess funds, if any.

Finding Number 34

**Condition:** The Town maintains the sanitation fund in the general fund transactions. The Town does not record the general fixed assets or long term debt account group monthly. The drug fund and the home banking account transactions were not fully recorded.

**Criteria:** Effective internal controls should be in place to record each fund in a separate general ledger timely.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the fiscal year ended June 30, 2012**

**Significant Deficiencies or Material Weaknesses - continued**

Finding Number 34 – continued

**Effect:** The sanitation fund transactions were included in the general fund transactions throughout the year requiring reclassification to the appropriate fund at year end. The additions to the general fixed assets and the reduction of debt in the long term debt account group were not recorded until year end. The Town Recorder had not recorded all drug fund and home bank account transactions.

**Cause:** The Town Recorder did not realize the necessity to maintain each fund separately or to timely record all transactions.

**Recommendation:** We recommend the Town record all transactions timely in the correct fund.

**Response:** We concur with the recommendation.

Finding Number 35

**Condition:** Property tax collections from prior year were posted to the property tax subledger in the current year.

**Criteria:** Internal controls should be in place to require the posting of property taxes to the computer subledger when collected.

**Effect:** Property taxes of \$2,709 were apparently collected prior to June 30, 2011, but were not recorded in the property tax subledger until September, 2011.

**Cause:** The Town Recorder was behind and never entered these collections into the property tax computer subledger.

**Recommendation:** We recommend all collections be receipted immediately.

**Response:** We concur with the recommendation.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Results of Prior Audit Findings**  
**For the fiscal year ended June 30, 2012**

**Prior Year Instances of Noncompliance Material to the Financial Statements**

Prior Year Finding Number 1

**Condition:** A Town vehicle is being used for personal purposes.

**Recommendation:** We recommend the Town stop allowing the volunteer fire chief to use this vehicle like a personal vehicle. The Town should obtain reimbursement for the personal use of this vehicle.

**Status:** This is still a finding in this report. See finding number 1 on page 83.

Prior Year Finding Number 2

**Condition:** The Town is not performing an annual inventory of governmental fund capital assets. Capital assets are not tagged for proper identification.

**Recommendation:** The Town should inventory and permanently tag all Town general fixed assets. These general fixed assets should be valued at cost or estimated cost if donated or cost is not available. The Town should take an annual inventory and establish detailed general fixed asset records.

**Status:** This is still a finding in this report. See finding number 2 on page 83.

Prior Year Finding Number 3

**Condition:** Financial information and claim approval is not being provided to the Board of Alderpersons.

**Recommendation:** The Town should provide the Board of Alderpersons with monthly balance sheets and income statements compared to budget showing both monthly and year to date information. The Board should be provided with a list of all expenditures paid during the month for their review and approval. The Board of Alderpersons should review and approve all claims prior to payment. The Board of Alderpersons is ultimately responsible for all expenditures.

**Status:** This is still a finding in this report. See finding number 3 on page 84.

Prior Year Finding Number 4

**Condition:** Expenditures exceeded budget.

**Recommendation:** Budgets should be reviewed monthly and amendments made by the Board of Alderpersons when necessary.

**Status:** This is still a finding in this report. See finding number 4 on pages 84-86.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Results of Prior Audit Findings**  
**For the fiscal year ended June 30, 2012**

**Prior Year Instances of Noncompliance Material to the Financial Statements - continued**

Prior Year Finding Number 5

**Condition:** Fidelity bonds are insufficient to meet Rural Development bond requirements.

**Recommendation:** The Town should either increase its fidelity bond coverage to the minimum amount required by Rural Development or obtain a waiver from Rural Development.

**Status:** This is still a finding in this report. See finding number 5 on page 86.

Prior Year Finding Number 6

**Condition:** The Town does not maintain records of the water used by the Town nor bill other departments for water and sewer used. The Town does not compare water pumped to water sold to determine lost water percentage.

**Recommendation:** We recommend the Town start metering all Town water usage and compare gallons pumped to gallons sold monthly and research unusual differences. Each department should pay the water and sewer department for utilities used.

**Status:** The Town is now billing other departments for water and sewage usage.

Prior Year Finding Number 7

**Condition:** Board approval and declaration of conflict of interest on related party insurance purchases were not always made.

**Recommendation:** The Board of Alderperson's minutes should contain evidence of authorization to pay and the Mayor's declaration of his conflict of interest prior to purchase and payment.

**Status:** This is still a finding in this report. See finding number 7 on page 87.

Prior Year Finding Number 8

**Condition:** Interfund due to/from other fund loans resulting from funds paid from the wrong account and funds not timely transferred were not approved by the Board of Alderpersons.

**Recommendation:** We recommend the Town immediately repay the interfund loans. All interfund loans and transfers should be approved by the Board of Alderpersons.

**Status:** This is still a finding in this report. See finding number 8 on pages 87-88.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Results of Prior Audit Findings**  
**For the fiscal year ended June 30, 2012**

**Prior Year Instances of Noncompliance Material to the Financial Statements - continued**

Prior Year Finding Number 9

**Condition:** In our test of payroll expenses, we noted employees were overpaid.

**Recommendation:** The Town should pay employees only for time actually worked. All employee raises and promotions should be authorized by the Board of Alderpersons. Management should consider requiring employees to punch a time clock and pay only for hours worked at the properly approved rate of pay. Management should not pay overtime to salaried employees without properly completed and approved time records.

**Status:** This is still a finding in this report. See finding number 9 on page 88. Management recovered \$14,083.

Prior Year Finding Number 10

**Condition:** The Town provided reduced rent without Board of Alderperson's approval.

**Recommendation:** The Town should determine a fair rental value for the church building. The Town should require the church to get utilities in the church's name.

**Status:** This is still a finding in this report. See finding number 10 on pages 88-89.

Prior Year Finding Number 11

**Condition:** Unclaimed meter deposits are not being turned over to unclaimed property.

**Recommendation:** We recommend the Town refund or confiscate unused meter deposits. If the Town cannot locate the former customers, the meter deposit should be turned over to unclaimed property. Since the Town is no longer charging a meter deposit, the Town might consider refunding all remaining meter deposits to avoid this situation in the future.

**Status:** This is still a finding in this report. See finding number 11 on page 89.

Prior Year Finding Number 12

**Condition:** Payroll checks are given out before work is completed for the week.

**Recommendation:** We recommend payroll checks not be given out until the work week has been completed.

**Status:** Checks are now given out the day after the work week is completed.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Results of Prior Audit Findings**  
**For the fiscal year ended June 30, 2012**

**Prior Year Instances of Noncompliance Material to the Financial Statements - continued**

Prior Year Finding Number 13

**Condition:** Salaried employees are not being required to maintain time records. Compensated absence and sick pay time is not always being removed from records when a salaried employee did not work the full work week.

**Recommendation:** The Board of Alderpersons should require all full-time salaried employees maintain time records to document overtime and compensated absence and sick day use. Management should obtain refunds for the pay increase paid in error. Pay raises and promotions should only be given when the Board of Alderperson's have approved them.

**Status:** The Board of Alderpersons did not require the \$3,628 overpaid compensated absence to be paid back. This is still a finding in this report. See finding number 13 on page 90.

Prior Year Finding Number 14

**Condition:** The Town has cash funds that are not collateralized in accordance with State laws.

**Recommendation:** The Town should determine if PayPal is covered by FDIC insurance. The Town should only have deposits with institutions covered with Category 1 collateral.

**Status:** This is still a finding in this report. See finding number 14 on pages 90-91.

Prior Year Finding Number 15

**Condition:** The Town experienced a cash shortage.

**Recommendation:** We recommend the Town Recorder and Mayor or a Board of Alderperson representative balance all monthly collection reports to the general ledger.

**Status:** The Town recovered \$40 on July 25, 2011. This is still a finding in this report due to the shortage actually occurred on July 19, 2011 which is during this fiscal year. See finding number 15 on page 91.

Prior Year Finding Number 16

**Condition:** Capital assets were sold at auction that had not been declared surplus property by the Board of Alderpersons.

**Recommendation:** We recommend the Town obtain Board of Alderperson's declaration of surplus property prior to disposing of capital assets.

**Status:** No capital assets were sold at auction during the current year.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Results of Prior Audit Findings**  
**For the fiscal year ended June 30, 2012**

**Prior Year Instances of Noncompliance Material to the Financial Statements - continued**

Prior Year Finding Number 17

**Condition:** The Town did not obtain advertised competitive bids for all required items.

**Recommendation:** We recommend the Town follow its bid law requirements for purchases exceeding \$4,000.

**Status:** This is still a finding in this report. See finding number 17 on page 92.

Prior Year Finding Number 18

**Condition:** Policemen on duty during the time that State in service training is done are being paid by the Town and are receiving a payment for in service training.

**Recommendation:** We recommend the Town consult with the State of Tennessee to determine if this can be done.

**Status:** It was determined that the Police was a supplement in addition to regular pay.

Prior Year Finding Number 19

**Condition:** The Town did not remit proceeds from confiscated DUI vehicles to the State Health Department by June 30, 2011.

**Recommendation:** We recommend the Town determine the amount due to the State Health Department and remit the net proceeds immediately.

**Status:** This is still a finding in this report. See finding number 19 on page 93.

Prior Year Finding Number 20

**Condition:** The Town does not maintain complete copies of its cancelled checks and deposit tickets.

**Recommendation:** We recommend the Town require its banks to provide both the front and back of all checks and deposit slips.

**Status:** This is still a finding in this report. See finding number 20 on pages 93-94.

Prior Year Finding Number 21

**Condition:** Revenues collected are not being deposited daily.

**Recommendation:** We recommend the Town instruct its personnel to make daily deposits, if possible, but always make deposits within three days.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Results of Prior Audit Findings**  
**For the fiscal year ended June 30, 2012**

**Prior Year Instances of Noncompliance Material to the Financial Statements - continued**

Prior Year Finding Number 21 – continued

**Status:** This is still a finding in this report; however, this was corrected in January, 2012. See finding number 21 on page 94.

Prior Year Finding Number 22

**Condition:** Employee debt for errors in voluntary insurance withheld from payroll was forgiven.

**Recommendation:** We recommend the Town require reimbursement of the amounts due.

**Response:** No reimbursement was obtained.

Prior Year Finding Number 23

**Condition:** Town management changed banks without Board of Alderperson's authorization.

**Recommendation:** We recommend the Board of Alderpersons' minutes reflect authorization for closing and opening bank accounts. We recommend the Town contact all local banks and determine the best interest rates and service charges.

**Status:** There were no new banks added during the year.

Prior Year Finding Number 24

**Condition:** The Town did not comply with all requirements of the Home Investment Partnership Program.

**Recommendation:** We recommend the Town Recorder become familiar with all compliance requirements for grants. We recommend the Town obtain a refund of the remaining \$291 overpayment.

**Status:** This is still a finding in this report. See finding number 24 on pages 95-96.

Prior Year Finding Number 25

**Condition:** The water and sewer fund reported a negative change in net assets during the years ended June 30, 2010 and 2011.

**Recommendation:** Management should consult with its engineer and increase water and sewer rates to result in an increase in net assets.

**Status:** This is still a finding in this report. See finding number 18 on pages 92-93.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Results of Prior Audit Findings**  
**For the fiscal year ended June 30, 2012**

**Prior Year Significant Deficiencies or Material Weaknesses**

Prior Year Finding Number 26

**Condition:** As noted in finding numbers 1 through 25, there were violations of certain State laws and loan agreements.

**Recommendation:** We recommend the Town install procedures to review each problem noted in finding numbers 1 through 25.

**Status:** This is still a finding in this report. See finding number 25 on pages 96.

Prior Year Finding Number 27

**Condition:** The general ledger did not contain entries to record all monthly billings for water, sewer and garbage.

**Recommendation:** The Town Recorder should record water, sewer and garbage billings monthly in the general ledger.

**Status:** This is still a finding in this report. See finding number 27 on page 97.

Prior Year Finding Number 28

**Condition:** Various payroll reports and sales tax returns were filed late resulting in penalties being paid.

**Recommendation:** Management should instruct its personnel to develop a calendar of due dates for government report filing. This calendar should be monitored daily to ensure all government reports are filed timely.

**Status:** This is still a finding in this report. See finding number 28 on pages 97-98.

Prior Year Finding Number 29

**Condition:** Employee medical insurance coverage is not timely adjusted due to not properly reviewing the medical insurance bill.

**Recommendation:** Management should install controls to follow up on changes made that affect the amount owed for insurance. We recommend all bills be timely reviewed to ensure accuracy. Management should make every attempt to obtain a reimbursement for the delayed modification to the medical insurance coverage.

**Status:** All changes to policy appeared to be timely made during the current year.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Results of Prior Audit Findings**  
**For the fiscal year ended June 30, 2012**

**Prior Year Significant Deficiencies or Material Weaknesses - continued**

Prior Year Finding Number 30

**Condition:** Lack of segregation of duties.

**Recommendation:** The Town does not have the need to hire additional employees; therefore, the Mayor and Board of Alderpersons should review all financial records to ensure accuracy.

**Status:** This is still a finding in this report. See finding number 29 on page 98.

Prior Year Finding Number 31

**Condition:** The Town was covered by two different medical insurance companies for one month during the year ended June 30, 2011. The Town was billed for family coverage not requested.

**Recommendation:** Management should contact the prior medical insurance provider and advise them that the new medical insurance policy became effective June 1, 2010 and try to obtain a refund for this double coverage. We understand that all claims subsequent to June 1, 2010 were made with the new medical insurance provider. Management should install procedures to ensure monthly medical insurance invoices are properly reviewed for accuracy.

**Status:** The Town was not able to obtain a refund for this double coverage.

Prior Year Finding Number 32

**Condition:** Bank accounts are not being reconciled and balanced to the general ledger timely. The general ledger contained multiple postings to the wrong account.

**Recommendation:** Management should remind the bookkeeper of the importance of reconciling cash to the general ledger monthly.

**Status:** Bank accounts are being substantially reconciled timely. However there were still mispostings to the general ledger. This is still a finding in this report. See finding number 30 on page 98.

Prior Year Finding Number 33

**Condition:** All bank accounts do not require dual signatures.

**Recommendation:** Management should remind its personnel the requirement for dual signatures apply to all disbursements made.

**Status:** This is still a finding in this report. See finding number 31 on page 99.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Results of Prior Audit Findings**  
**For the fiscal year ended June 30, 2012**

**Prior Year Significant Deficiencies or Material Weaknesses - continued**

Prior Year Finding Number 34

**Condition:** Internal controls over disbursements are inadequate. Invoices are not being timely paid.

**Recommendation:** We recommend the Town establish internal controls that require the matching of purchase orders with invoices prior to payment. We also recommend the Town establish a procedure to require a designated Board member to approve and initial all invoices prior to payment. We also recommend the Town Recorder be instructed to pay all bills timely. We recommend the Board of Alderpersons periodically review disbursements to ensure they are being timely paid.

**Status:** This is still a finding in this report. See finding number 32 on pages 99-100.

Prior Year Finding Number 35

**Condition:** The Town has excess cash in checking accounts or savings accounts that receive minimum interest rates.

**Recommendation:** We recommend all excess funds be invested in accordance with Tennessee law. The Town could consider paying off certain high interest debt early with the excess funds.

**Status:** This is still a finding in this report. See finding number 33 on page 100.

Prior Year Finding Number 36

**Condition:** The Town maintains the sanitation fund in the general fund transactions. The Town does not record the general fixed assets or long term debt account group monthly.

**Recommendation:** We recommend the Town record all transactions timely in the correct fund.

**Status:** This is still a finding in this report. See finding number 34 on pages 100-101.

Prior Year Finding Number 37

**Condition:** The Town outsources financial statements, related notes, and supplementary information preparation.

**Recommendation:** Due to the size of the Town and the cost of hiring additional staff, no change is recommended.

**Status:** This is still a finding in this report. See finding number 26 on pages 96-97.

**TOWN OF WHITEVILLE, TENNESSEE**  
**Results of Prior Audit Findings**  
**For the fiscal year ended June 30, 2012**

**Prior Year Significant Deficiencies or Material Weaknesses - continued**

Prior Year Finding Number 38

**Condition:** Credit card receipts were not being monitored to determine collection.

**Recommendation:** Management should establish procedures to require its personnel to compare credit card receipts to credit card collections daily.

**Status:** The Town no longer takes payments on credit cards.

Finding Number 39

**Condition:** The Town's computer software for maintaining compensated absences is not being maintained properly.

**Recommendation:** We recommend the Town Recorder obtain training in how to use the compensated absence software and enter data each payroll. Alternatively manual records could be maintained contemporaneously.

**Status:** The Town is now maintaining these records manually.