

CITY OF GRAYSVILLE, TENNESSEE

FINANCIAL STATEMENTS

JUNE 30, 2015



G. R. RUSH & COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

CITY OF GRAYSVILLE, TENNESSEE

INDEX

JUNE 30, 2015

	<u>PAGE</u>
INTRODUCTORY SECTION:	
City Officials	4
FINANCIAL SECTION:	
Independent Auditors' Report	5-7
Management's Discussion and Analysis	8-19
Basic Financial Statements:	
Government-wide Financial Statements -	
Statement of net position	20
Statement of activities	21
Fund Financial Statements -	
Balance sheet and reconciliation to statement of net position -	
Governmental Funds	22-23
Statement of revenues, expenditures and changes in fund balance -	
Governmental Funds	24
Reconciliation of the statement of revenues, expenditures and changes	
in fund balance of governmental funds to the statement of activities	25
Statement of revenues, expenditures and changes in fund balance -	
Budget and Actual - On GAAP Basis - General Fund	26-32
Statement of revenues, expenditures and changes in fund balance -	
Budget and Actual - On GAAP Basis - Solid Waste Fund	33
Statement of net assets - Proprietary Fund	34
Statements of revenues, expenditures and changes in net assets -	
Proprietary Fund	35
Statement of cash flows - Proprietary Fund	36-37
Notes to financial statements	38-55
Special Revenues Fund	56

CITY OF GRAYSVILLE, TENNESSEE

INDEX

JUNE 30, 2015

Non-major Governmental Funds	
Combining balance sheet	57
Combining statements of revenues, expenditures and changes in fund balances	58
Schedule of revenues, expenditures and changes in fund balance – Budget and Actual – Drug Fund	59
Schedule of revenues, expenditures and changes in fund balance – Budget and Actual – Beautification Fund	60
Schedule of revenues, expenditures and changes in fund balance – Budget and Actual – Historical Fund	61
Schedule of revenues, expenditures and changes in fund balance - Budget and Actual – Cemetery Fund	62
Supplemental information	
Schedule of expenditures of Federal and State awards	63
Notes to the Schedule of expenditures of Federal and State Awards	64
Schedule of revenues, expenses and changes in net assets – Budget and Actual – Water Fund	65-66
Schedule of property taxes receivable – General Fund	67
Schedule of changes in property taxes receivable – General Fund	68
Schedule of tax rates and assessed valuation	69
Schedule of debt service requirements – Governmental Funds	70-72
Schedule of debt service requirements – Proprietary Funds	73
Utility rates in force	74
Schedule of insurance	75
Schedules of unaccounted for water	76-77

CITY OF GRAYSVILLE, TENNESSEE

INDEX

JUNE 30, 2015

COMPLIANCE AND INTERNAL CONTROL SECTION

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*

78-79

Schedule of findings and responses

80-81

Schedule of prior year findings

82

CITY OF GRAYSVILLE, TENNESSEE

CITY OFFICIALS

JUNE 30, 2015

Ted Doss..... Mayor
Denesa Reel..... Vice-Mayor
Andy Beene.....Commissioner
Charles Kaylor. Commissioner
Michael May.....Commissioner
Tracey Pankey..... City Recorder



INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Commissioners
City of Graysville
Graysville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Graysville, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the index.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Graysville, Tennessee, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Solid Waste Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8-19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Graysville, Tennessee's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and supplemental information 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2016, on our consideration of the City of Graysville, 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* in considering City of Graysville, Tennessee's internal control over financial reporting and compliance.

S. R. Runk + Company, PLLC

Chattanooga, Tennessee
January 17, 2016

CITY OF GRAYSVILLE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2015

This section of the City of Graysville's annual financial report presents a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2015. Please read it in conjunction with the City's financial statements which follow. This discussion and analysis is intended to serve as an introduction to the City of Graysville's financial statements. The basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

Statement of activities - presents information showing how the City's net position changes during the most recent fiscal year. All current revenues and expenses are taken into account regardless of the timing of the related cash flows. Thus revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years.

Both of the government-wide financial statements distinguish functions of the City 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 City include general government, public safety, public works, state street aid and public welfare and recreation. The business-type activity of the City includes the Water Fund.

Fund financial statements. The fund financial statements provide more detailed information about the most significant funds - not necessarily the City as a whole. Some funds are required by State or Federal law or by bond covenants; other funds are established by the City Commission to help it control and manage money for designated or restricted purposes, or to show that it is meeting legal responsibilities for how certain taxes, grants and other monies are used. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - The City's basic services are included in governmental funds. The focus of these funds is on (1) how cash and other financial assets that can be readily converted to cash were received and used and (2) what remains at the end of the fiscal year for future spending. This detailed short-term view helps in determining whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not include the additional long-term focus of the government-wide financial statements, we provide additional information after the governmental fund statement that explains the difference between the long-term view and the short-term view.

CITY OF GRAYSVILLE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2015

The City of Graysville maintains six 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 and Solid Waste Fund, which are considered to be major funds. Individual fund data for the non-major Drug Fund, Beautification Fund, Historical Fund and Cemetery Fund are provided later in this report beginning on page 56.

The City adopts an appropriated budget for its governmental funds. A budgetary comparison statement has been provided for major General Fund, Solid Waste Fund and all the non-major funds to demonstrate compliance with this budget.

Proprietary funds – The City of Graysville maintains one type of proprietary fund: Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City used enterprise funds to account for its water 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 information for the Water Fund, which is considered to be a major fund of the City.

Notes to financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The additional information contained in these notes is essential to a full understanding of the information provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements discussed above, this report also presents supplementary information about the City's insurance coverages and other information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE.

Net position. Net position may serve over time as a useful indicator of the government's financial position. In the case of the City of Graysville, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$2,159,653 at the close of the most recent fiscal year, a decrease of \$233,938 or 9.8% from last year. Approximately 59 % of the City's net assets are related to its investment in capital assets (land, buildings, equipment, infrastructure, etc.); less any related debt used to acquire those assets. Because capital assets are used to provide services to citizens, the assets are not available for future spending. The remaining balance is available to meet the City's ongoing obligations. A condensed summary of the net position of the City is provided below.

CITY OF GRAYSVILLE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2015

City of Graysville's Net Position

	<u>June 30, 2015</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 719,176	\$ 423,879	\$1,143,055
Capital assets	<u>631,590</u>	<u>1,592,746</u>	<u>2,224,336</u>
Total assets	<u>\$ 1,350,766</u>	<u>\$ 2,016,625</u>	<u>\$3,367,391</u>
Long-term liabilities outstanding	\$ 560,475	\$ 365,368	\$ 925,843
Other liabilities	<u>140,233</u>	<u>16,962</u>	<u>157,195</u>
Total liabilities	<u>\$ 700,708</u>	<u>\$ 382,330</u>	<u>\$1,083,038</u>
Deferred inflows of resources	<u>\$ 124,700</u>	<u>\$ -</u>	<u>\$ 124,700</u>
Net position -			
Invested in capital assets - net of related debt	\$ 36,816	\$ 1,233,449	\$1,270,265
Restricted	302,793	-	302,793
Unrestricted	<u>185,749</u>	<u>400,846</u>	<u>586,595</u>
Total net position	<u>\$ 525,358</u>	<u>\$ 1,634,295</u>	<u>\$2,159,653</u>

CITY OF GRAYSVILLE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2015

	June 30, 2014		
	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 507,859	\$ 385,483	\$ 893,342
Capital assets	610,649	1,643,979	2,254,628
Total assets	\$ 1,118,508	\$ 2,029,462	\$3,147,970
Long-term liabilities outstanding	\$ 129,051	\$ 370,577	\$ 499,628
Other Liabilities	110,647	21,058	131,705
Total liabilities	\$ 239,698	\$ 391,635	\$ 631,333
Deferred inflows of resources	\$ 123,000	\$ -	\$ 123,000
Net position -			
Invested in capital assets - net of related debt	\$ 484,158	\$ 1,278,947	\$1,763,105
Restricted	65,368	-	65,368
Unrestricted	206,238	358,880	565,118
Total net position	\$ 755,764	\$ 1,637,827	\$2,393,591

Change in net position. Net position of the City decreased 9.8% to \$2,159,653. Of that balance, \$1,270,265 or 59% are invested in capital assets net of related debt (buildings, equipment, infrastructure, etc.). Another \$302,793 or 14% of the City's net position represent resources that are subjected to external restrictions on how they may be used. Therefore, \$586,595 or 27% remains available to meet the City's ongoing obligations to citizens and creditors, including debt obligation related to capital assets.

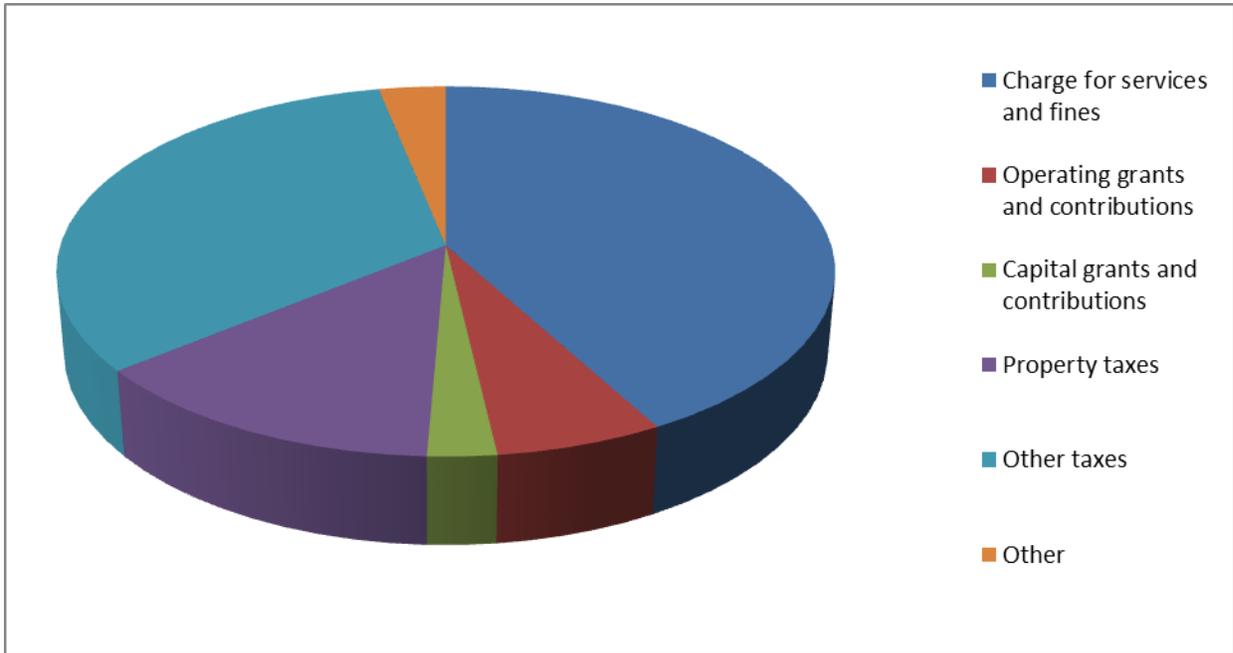
CITY OF GRAYSVILLE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

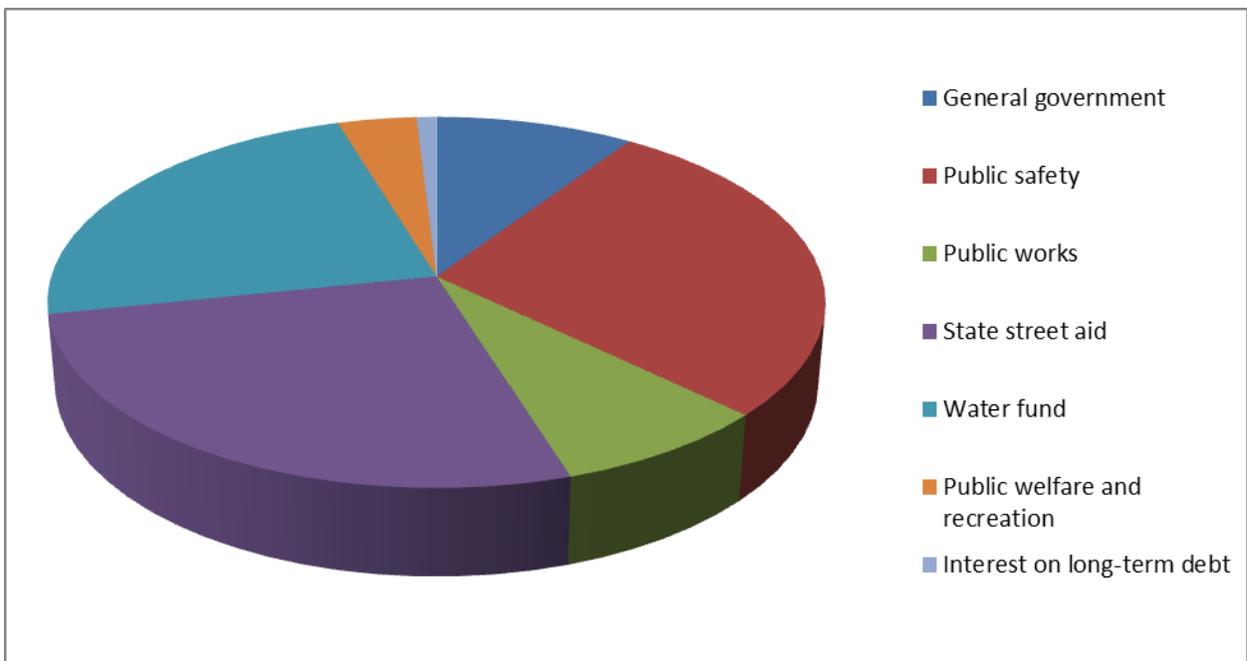
JUNE 30, 2015

The graphs below summarize the sources of the City's revenues of \$923,007 and total program expenses of \$1,156,945.

Total Revenues by Source



Total Expenditures by Function



CITY OF GRAYSVILLE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2015

City of Graysville's Changes in Net Position

	June 30, 2015		
	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program revenues -			
Charges for services	\$ 119,611	\$ 268,220	\$ 387,831
Operating grants and contributions	56,641	-	56,641
Capital grants and contributions	23,267	-	23,267
General revenues -			
Property taxes	124,183	-	124,183
Other taxes	301,772	-	301,772
Other	28,933	380	29,313
Total revenues	<u>654,407</u>	<u>268,600</u>	<u>923,007</u>
Expenses:			
General government	109,192	-	109,192
Public safety	319,983	-	319,983
Public Works	92,813	-	92,813
State street aid	308,462	-	308,462
Public welfare and recreation	43,396	-	43,396
Interest on long-term debt	10,967	-	10,967
Water	-	272,132	272,132
Total expenses	<u>884,813</u>	<u>272,132</u>	<u>1,156,945</u>
Change in net position	(230,406)	(3,532)	(233,938)
Net position – beginning	<u>755,764</u>	<u>1,637,827</u>	<u>2,393,591</u>
Net position – end	<u>\$ 525,358</u>	<u>\$ 1,634,295</u>	<u>\$2,159,653</u>

CITY OF GRAYSVILLE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2015

	<u>June 30, 2014</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Revenues:			
Program revenues -			
Charges for services	\$ 133,623	\$ 272,190	\$ 405,813
Operating grants and contributions	53,335	-	53,335
Capital grants and contributions	-	20,000	20,000
General revenues -			
Property taxes	117,233	-	117,233
Other taxes	284,044	-	284,044
Other	<u>28,086</u>	<u>1,072</u>	<u>29,158</u>
Total Revenues	<u>616,321</u>	<u>293,262</u>	<u>909,583</u>
Expenses:			
General government	103,206	-	103,206
Public safety	356,259	-	356,259
Public Works	103,181	-	103,181
State street aid	17,283	-	17,283
Public welfare and recreation	45,122	-	45,122
Interest on long-term debt	4,777	-	4,777
Water	<u>-</u>	<u>290,220</u>	<u>290,220</u>
Total expenses	<u>629,828</u>	<u>290,220</u>	<u>920,048</u>
Change in net position	(13,507)	3,042	(10,465)
Net position -- beginning	<u>769,271</u>	<u>1,634,785</u>	<u>2,404,056</u>
Net position -- end	<u>\$ 755,764</u>	<u>\$ 1,637,827</u>	<u>\$2,393,591</u>

Current fiscal year revenues for the City's activities were \$923,007 compared to \$909,583 last year, up 1.5%. Current year expenses were \$1,156,945 compared with \$920,048 last year, an increase of 25.7%. Significant components of this change were as follows.

The City contracted for paving of substantially all city streets in the current year. Funds for this project were provided by a \$300,000 bank loan.

CITY OF GRAYSVILLE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2015

FINANCIAL ANALYSIS OF THE CITY'S FUNDS.

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

Governmental funds. Governmental funds focus on providing information on the near-term flow of resources. The City's governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed Fund Balance – represents amounts that can only be used for specific purposes imposed by a formal action of the City's highest level of decision-making authority, the City Commission. Committed resources cannot be used for any other purposes unless the City Commission removes or changes the specified use by the same type of action previously used to commit those amounts, either by resolution or by ordinance. Committed amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Assigned Fund Balance – represents amounts the City intends to use for specific purposes as expressed by the City Commission or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund. Assigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balances could be used.

Unassigned Fund Balance – represents the residual classification for the general fund or deficit balances in other funds. Unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

CITY OF GRAYSVILLE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2015

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued).

Information about the City's governmental funds is presented below.

General fund. This fund is the chief operating fund of the City of Graysville. \$360,233 fund balance is held in the general fund, of which \$170,230 or 47.3% is designated for future spending. The increase in general fund balance was \$135,380 or 60.2% from the beginning of the fiscal year.

Solid waste fund. This fund separately accounts for all of the costs incurred by the City for trash removal services provided to residents. Separate fees for this service are charged and accumulated for in this fund. The fund balance at the end of the fiscal year was \$71,566, of which \$38,249 or 53.4% is designated for future purchase of a new sanitation truck. The decrease in the solid waste fund was \$3,570 or 4.8% from the beginning of the fiscal year.

Non-major funds. Non-major funds include the Drug Fund, Beautification Fund, Historical Fund and the Cemetery Fund. Total net assets of these funds were \$61,227, of which \$57,431 or 93.8% are restricted in their use by third parties.

Proprietary funds. The City of Graysville's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets at the end of the fiscal year were \$400,846 in the Water Fund.

General fund budgetary highlights. Actual revenues exceeded budgeted amounts by \$18,100. Actual expenditures were less than budgetary estimates in all departments by a combined \$2,934. The City's budget expected a surplus of \$203,810. With actual revenues exceeding budgeted amounts and actual expenditures below budgetary estimates, the City achieved a surplus for the fiscal year of \$224,853.

CITY OF GRAYSVILLE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION.

At the end of the fiscal year, the City had \$2,224,336 (net of accumulated depreciation) invested in capital assets, a decrease of 1.3%. This investment includes land, buildings and improvements, vehicles, equipment and infrastructure as listed in the table below.

City of Graysville's Capital Assets

	<u>June 30, 2015</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 65,565	\$ 7,580	\$ 73,145
Buildings	485,805	-	485,805
Vehicles	33,062	-	33,062
Equipment	23,892	4,664	28,556
Construction – in – progress	23,266	-	23,266
Water plant and distribution system	-	<u>1,580,502</u>	<u>1,580,502</u>
 Total capital assets	 <u>\$ 631,590</u>	 <u>\$ 1,592,746</u>	 <u>\$2,224,336</u>

	<u>June 30, 2014</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 65,565	\$ 7,580	\$ 73,145
Buildings	497,172	-	497,172
Vehicles	40,103	150	40,253
Equipment	7,809	6,005	13,814
Water plant and distribution system	-	<u>1,630,244</u>	<u>1,630,244</u>
 Total capital assets	 <u>\$ 610,649</u>	 <u>\$ 1,643,979</u>	 <u>\$2,254,628</u>

As allowed by GASB 34, the City has elected not to record on the books the estimated cost of infrastructure already in place at the time of implementation, thus the total for capital assets does not include existing roads, bridges and sewers currently in existence prior to June 30, 2004.

CITY OF GRAYSVILLE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2015

At the end of the current fiscal year, the City had total long-term debt outstanding of \$970,536. Of that amount \$52,245 is due in the next fiscal year. The table below summarizes outstanding debt broken down by governmental and business-type activities.

City of Graysville's Outstanding Debt

	<u>June 30, 2015</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Bonds payable	\$ 594,774	\$ 359,296	\$ 954,070
Customer deposits	-	8,914	8,914
Compensated absences	<u>4,484</u>	<u>3,068</u>	<u>7,552</u>
	599,258	371,278	970,536
Less current portion	<u>43,267</u>	<u>8,978</u>	<u>52,245</u>
 Total long-term debt	 <u>\$ 555,991</u>	 <u>\$ 362,300</u>	 <u>\$ 918,291</u>
	 <u>June 30, 2014</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Bonds payable	\$ 126,491	\$ 365,032	\$ 491,523
Customer deposits	-	8,934	8,934
Compensated absences	<u>4,278</u>	<u>2,346</u>	<u>6,624</u>
	130,769	376,312	507,081
Less current portion	<u>5,996</u>	<u>8,081</u>	<u>14,077</u>
 Total long-term debt	 <u>\$ 124,773</u>	 <u>\$ 368,231</u>	 <u>\$ 493,004</u>

CITY OF GRAYSVILLE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES.

The City of Graysville is a small community in the largely rural Rhea County, Tennessee. Economic progress in the area is slow, but continuing. The City continues to expand services, including a major project to construct a new fire station and ambulance center. Taxes for the City remain at a rate of \$1.35 per \$100 of assessed value again this year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT.

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Tracey Pankey, City Recorder
136 Harrison Avenue
Graysville, Tennessee 37338

CITY OF GRAYSVILLE, TENNESSEE

STATEMENT OF NET POSITION

JUNE 30, 2015

ASSETS

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
ASSETS:			
Cash	\$ 499,656	\$ 306,960	\$ 806,616
Investments	55,594	38,783	94,377
Accounts receivable – net	-	37,100	37,100
Property taxes receivable – net	157,191	-	157,191
Due from other governments	47,771	-	47,771
Internal balances	(41,036)	41,036	-
Capital assets:			
Land	65,565	7,580	73,145
Other capital assets net of accumulated depreciation	<u>566,025</u>	<u>1,585,166</u>	<u>2,151,191</u>
Total assets	<u>\$ 1,350,766</u>	<u>\$ 2,016,625</u>	<u>\$3,367,391</u>

LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND NET POSITION

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 36,717	\$ 8,695	\$ 45,412
Accrued liabilities	134	1,768	1,902
Current portion of bonds payable	38,783	5,910	44,693
Due to other governments	64,599	589	65,188
Non-current liabilities:			
Bonds payable	555,991	353,386	909,377
Customer deposits	-	8,914	8,914
Compensated absences	<u>4,484</u>	<u>3,068</u>	<u>7,552</u>
Total liabilities	<u>700,708</u>	<u>382,330</u>	<u>1,083,038</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred revenue property tax	<u>124,700</u>	<u>-</u>	<u>124,700</u>
NET POSITION:			
Invested in capital, net of related debt	36,816	1,233,449	1,270,265
Restricted	247,199	-	247,199
Permanent endowment	55,594	-	55,594
Unrestricted	<u>185,749</u>	<u>400,846</u>	<u>586,595</u>
Total net position	<u>525,358</u>	<u>1,634,295</u>	<u>2,159,653</u>
Total liabilities, deferred inflows and net position	<u>\$ 1,350,766</u>	<u>\$ 2,016,625</u>	<u>\$3,367,391</u>

See notes to financial statements.

CITY OF GRAYSVILLE, TENNESSEE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
GOVERNMENTAL ACTIVITIES:				
General government	\$ 109,192	\$ 4,722	\$ -	\$ -
Public safety	319,983	54,032	9,152	23,267
Public works	92,813	59,817	-	-
State Street Aid	308,462	-	30,263	-
Public welfare and recreation	43,396	1,040	17,226	-
Interest on long-term debt	<u>10,967</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>884,813</u>	<u>119,611</u>	<u>56,641</u>	<u>23,267</u>
Business-type activities:				
Water and sewer fund	<u>272,132</u>	<u>268,220</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$1,156,945</u>	<u>\$ 387,831</u>	<u>\$ 56,641</u>	<u>\$ 23,267</u>

GENERAL REVENUES:

Property taxes
Interest and penalty on taxes
State shared taxes
Business taxes
Local sales tax
Franchise tax
Other taxes
TVA in lieu of tax
Interest
Other

Total general revenues

Change in net position

Net position, beginning of fiscal year

Net position, end of fiscal year

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

Primary Government

Governmental Activities	Business- Type Activities	Total
\$ (104,470)	\$ -	\$ (104,470)
(233,532)	-	(233,532)
(32,996)	-	(32,996)
(278,199)	-	(278,199)
(25,130)	-	(25,130)
(10,967)	-	(10,967)
<hr/>	<hr/>	<hr/>
(685,294)	-	(685,294)
-	(3,912)	(3,912)
<hr/>	<hr/>	<hr/>
\$ (685,294)	\$ (3,912)	\$ (689,206)
121,189	-	121,189
2,994	-	2,994
81,292	-	81,292
126,224	-	126,224
4,111	-	4,111
14,496	-	14,496
27,449	-	27,449
48,200	-	48,200
6,156	380	6,536
22,777	-	22,777
<hr/>	<hr/>	<hr/>
454,888	380	455,268
(230,406)	(3,532)	(233,938)
<hr/>	<hr/>	<hr/>
755,764	1,637,827	2,393,591
<hr/>	<hr/>	<hr/>
\$ 525,358	\$ 1,634,295	\$ 2,159,653

CITY OF GRAYSVILLE, TENNESSEE

BALANCE SHEET AND RECONCILIATION TO STATEMENT OF NET POSITION –

GOVERNMENTAL FUNDS

JUNE 30, 2015

	General Fund	Solid Waste	Other Governmental Funds	Totals Governmental Funds
ASSETS:				
Cash	\$ 430,707	\$ 67,053	\$ 1,896	\$ 499,656
Investments	-	-	55,594	55,594
Property taxes – receivable	157,191	-	-	157,191
Due from other governments	47,771	-	-	47,771
Due from other funds	-	6,929	3,737	10,666
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 635,669</u>	<u>\$ 73,982</u>	<u>\$ 61,227</u>	<u>\$ 770,878</u>
 LIABILITIES:				
Accounts payable	\$ 34,195	\$ 2,656	\$ -	\$ 36,851
Due to other governments	64,599	-	-	64,599
Due to other funds	51,942	(240)	-	51,702
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>150,736</u>	<u>2,416</u>	<u>-</u>	<u>153,152</u>
 DEFERRED INFLOWS OF RESOURCES				
Deferred revenue property taxes	<u>124,700</u>	<u>-</u>	<u>-</u>	<u>124,700</u>
 FUND BALANCES:				
Nonspendable	\$ -	\$ -	\$ 50,000	\$ 50,000
Restricted	-	33,317	11,227	44,544
Committed	170,000	38,249	-	208,249
Assigned	230	-	-	230
Unassigned	190,003	-	-	190,003
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>360,233</u>	<u>71,566</u>	<u>61,227</u>	<u>493,026</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 635,669</u>	<u>\$ 73,982</u>	<u>\$ 61,227</u>	<u>\$ 770,878</u>

See notes to financial statements.

CITY OF GRAYSVILLE, TENNESSEE

BALANCE SHEET AND RECONCILIATION TO STATEMENT OF NET POSITION -

GOVERNMENTAL FUNDS

JUNE 30, 2015

RECONCILIATION OF FUND BALANCE TO STATEMENT OF NET POSITION:

Amounts reported for governmental activities in the statement of net position
are different because -

Fund balance	\$ 493,026
Other long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period, and therefore, are deferred in the funds	(599,258)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>631,590</u>
Net position of governmental activities	<u>\$ 525,358</u>

See notes to financial statements.

CITY OF GRAYSVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Solid Waste</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes	\$ 258,007	\$ -	\$ -	\$ 258,007
Licenses and permits	4,722	-	-	4,722
Intergovernmental revenues	722,629	-	-	722,629
Fines and forfeitures	30,143	-	1,431	31,574
Charges for services	-	59,817	-	59,817
Miscellaneous	<u>44,699</u>	<u>-</u>	<u>7,959</u>	<u>52,658</u>
Total revenues	<u>1,060,200</u>	<u>59,817</u>	<u>9,390</u>	<u>1,129,407</u>
EXPENDITURES:				
General government	\$ 112,086	\$ -	\$ -	\$ 112,086
Public safety	301,029	-	531	301,560
Public works	32,971	63,387	-	96,358
State street aid	15,013	-	-	15,013
Public welfare and recreation	44,056	-	-	44,056
Capital outlay	317,508	-	13,000	330,508
Debt service	<u>12,684</u>	<u>-</u>	<u>-</u>	<u>12,684</u>
Total expenditures	<u>835,347</u>	<u>63,387</u>	<u>13,531</u>	<u>912,265</u>
NET CHANGE IN FUND BALANCE	224,853	(3,570)	(4,141)	217,142
FUND BALANCE at beginning of fiscal year	<u>135,380</u>	<u>75,136</u>	<u>65,368</u>	<u>275,884</u>
FUND BALANCE at end of fiscal year	<u>\$ 360,233</u>	<u>\$ 71,566</u>	<u>\$ 61,227</u>	<u>\$ 493,026</u>

See notes to financial statements.

CITY OF GRAYSVILLE, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances for total governmental funds (page 24)	\$ 217,142
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.	25,940
Loss on disposal of equipment. Equipment and related depreciation are not recorded on governmental funds, thus no gain or loss on disposal recorded.	(5,000)
Change in compensated absences	(206)
Issuance of governmental bonds is reported as revenues in governmental funds, but increases long-term liabilities in the Statement of Net Position	(470,000)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	<u>1,718</u>
Change in net position of governmental activities (page 21)	<u>\$ (230,406)</u>

See notes to financial statements.

CITY OF GRAYSVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes -				
Property taxes	\$ 121,000	\$ 121,000	\$ 121,189	\$ 189
Interest and penalties	2,500	2,500	2,994	494
Business tax	3,500	3,500	4,111	611
Local sales tax	73,000	73,000	81,292	8,292
Wholesale beer tax	26,000	26,000	25,115	(885)
Franchise tax	14,000	14,000	14,496	496
Payments in lieu of tax	<u>9,000</u>	<u>9,000</u>	<u>8,810</u>	<u>(190)</u>
Total taxes	<u>249,000</u>	<u>249,000</u>	<u>258,007</u>	<u>9,007</u>
Licenses and permits -				
Beer licenses	500	500	-	(500)
Animal registration	2,500	2,500	2,585	85
Permits	<u>5,300</u>	<u>5,300</u>	<u>2,137</u>	<u>(3,163)</u>
Total licenses and permits	<u>8,300</u>	<u>8,300</u>	<u>4,722</u>	<u>(3,578)</u>
Intergovernmental revenues -				
Sales tax	108,000	108,000	113,757	5,757
State beer tax	1,100	1,100	718	(382)
State income tax	800	800	1,469	669
Streets and transportation system	12,500	12,500	12,467	(33)
Gasoline tax	30,000	30,000	30,263	263
Police supplement	2,400	2,400	7,341	4,941
Telecommunications	500	500	147	(353)
TVA in lieu of tax	46,000	48,000	48,200	200
Library support grant	15,000	15,000	15,000	-
Loan proceeds	470,000	470,000	470,000	-
Fire hall construction grant	<u>250,000</u>	<u>23,000</u>	<u>23,267</u>	<u>267</u>
Total intergovernmental revenues	<u>936,300</u>	<u>711,300</u>	<u>722,629</u>	<u>11,329</u>

See notes to financial statements.

CITY OF GRAYSVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES (Continued):				
Fines and forfeitures -				
City court fines	32,000	32,000	25,439	(6,561)
Animal control charges	100	100	632	532
County court fines	<u>8,300</u>	<u>8,300</u>	<u>4,072</u>	<u>(4,228)</u>
Total fines and forfeitures	<u>40,400</u>	<u>40,400</u>	<u>30,143</u>	<u>(10,257)</u>
Miscellaneous -				
Interest	300	300	562	262
Fire protection fees	22,500	22,500	22,458	(42)
Fire and police department donations	1,200	1,200	1,803	603
Animal shelter donations	100	100	8	(92)
Library charges	100	100	1,000	900
Miscellaneous	<u>8,900</u>	<u>8,900</u>	<u>18,868</u>	<u>9,968</u>
Total miscellaneous revenues	<u>33,100</u>	<u>33,100</u>	<u>44,699</u>	<u>11,599</u>
Total revenues	<u>1,267,100</u>	<u>1,042,100</u>	<u>1,060,200</u>	<u>18,100</u>
EXPENDITURES:				
General government -				
Financial administration:				
Salaries	17,000	19,000	18,930	70
Payroll tax	1,500	1,500	1,305	195
Professional services	8,200	8,200	8,174	26
Telephone	1,000	1,000	1,010	(10)
Education and travel	1,600	1,600	1,830	(230)
Communications	400	100	97	3
Insurance	1,500	900	832	68
Dues and subscriptions	1,600	4,300	4,222	78
Office supplies	2,200	4,200	4,138	62
Postage	400	400	714	(314)
Travel	1,000	600	535	65
Miscellaneous	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial administration	<u>36,900</u>	<u>41,800</u>	<u>41,787</u>	<u>13</u>

See notes to financial statements.

CITY OF GRAYSVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued):				
Auditorium:				
Operating supplies	800	800	387	413
Insurance	2,400	2,400	2,191	209
Utilities	6,200	8,200	8,053	147
Repairs and maintenance	<u>7,000</u>	<u>8,550</u>	<u>8,513</u>	<u>37</u>
Total auditorium	<u>16,400</u>	<u>19,950</u>	<u>19,144</u>	<u>806</u>
Other general government:				
Professional services	3,300	9,600	9,576	24
Public relations	1,500	2,900	2,868	32
Contracted services	30,000	30,300	30,275	25
Insurance	6,900	7,400	7,358	42
Dues and subscriptions	600	600	561	39
Communications	200	-	-	-
Miscellaneous	<u>3,000</u>	<u>600</u>	<u>517</u>	<u>83</u>
Total other general government	<u>45,500</u>	<u>51,400</u>	<u>51,155</u>	<u>245</u>
Total general government	<u>98,800</u>	<u>113,150</u>	<u>112,086</u>	<u>1,064</u>
Public safety -				
Police department:				
Salaries	126,100	134,700	134,676	24
Payroll tax	9,900	10,000	9,977	23
Telephone	1,800	1,450	1,408	42
Insurance	22,200	20,050	20,019	31
Education and travel	700	2,150	2,130	20
Uniforms	1,300	1,250	1,203	47
Dues and subscriptions	100	650	611	39
Office supplies	1,600	1,400	1,400	-
Operating supplies	4,800	5,850	5,816	34
Vehicle expense	21,800	20,150	20,146	4
Miscellaneous	<u>800</u>	<u>3,250</u>	<u>3,243</u>	<u>7</u>
Total police department	<u>191,100</u>	<u>200,900</u>	<u>200,629</u>	<u>271</u>

See notes to financial statements.

CITY OF GRAYSVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		Positive/ (Negative)
EXPENDITURES (Continued):				
Fire department:				
Salaries	1,000	1,000	1,000	-
Telephone	1,200	1,200	1,080	120
Utilities	9,400	6,500	6,478	22
Insurance	7,000	7,350	7,316	34
Education and travel	1,400	1,800	1,772	28
Uniforms	1,000	1,700	1,694	6
Dues and subscriptions	200	250	225	25
Office supplies	500	1,500	1,475	25
Operating supplies	2,500	4,200	4,165	35
Vehicle operating expense	26,700	11,350	11,301	49
Miscellaneous	<u>6,100</u>	<u>7,050</u>	<u>7,033</u>	<u>17</u>
Total fire department	<u>57,000</u>	<u>43,900</u>	<u>43,539</u>	<u>361</u>
Animal control:				
Salaries	12,920	23,070	23,030	40
Payroll taxes	1,080	1,680	1,657	23
Utilities	250	700	670	30
Insurance	690	740	705	35
Education and travel	400	-	-	-
Uniforms	150	400	395	5
Operating supplies	2,100	1,300	1,295	5
Repairs and maintenance	1,500	2,300	2,302	(2)
Telephone	-	575	561	14
Vehicle expense	2,900	1,950	1,926	24
Miscellaneous	<u>650</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total animal control	<u>22,640</u>	<u>32,715</u>	<u>32,541</u>	<u>174</u>

See notes to financial statements.

CITY OF GRAYSVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued):				
City court:				
Salaries	18,200	14,800	14,772	28
Payroll taxes	1,600	1,050	1,039	11
Judge fees	2,400	2,200	2,200	-
Insurance	1,000	150	130	20
Courtware fee	2,000	1,100	1,083	17
State litigation fee	-	1,350	1,347	3
Telephone	600	600	561	39
Travel	3,000	2,275	2,252	23
Operating supplies	800	900	864	36
Professional fees	<u>100</u>	<u>100</u>	<u>72</u>	<u>28</u>
Total city court	<u>29,700</u>	<u>24,525</u>	<u>24,320</u>	<u>205</u>
Total public safety	<u>300,440</u>	<u>302,040</u>	<u>301,029</u>	<u>1,011</u>
Public works -				
Salaries	25,000	25,400	25,385	15
Payroll taxes	2,000	1,850	1,817	33
Insurance	1,000	650	620	30
Vehicle expense	<u>1,000</u>	<u>5,150</u>	<u>5,149</u>	<u>1</u>
Total public works	<u>29,000</u>	<u>33,050</u>	<u>32,971</u>	<u>79</u>
State Street Aid -				
Equipment repairs	4,000	250	235	15
Operating supplies	8,000	-	-	-
Utilities	12,000	14,250	14,228	22
Vehicle expense	<u>600</u>	<u>600</u>	<u>550</u>	<u>50</u>
Total state street aid	<u>24,600</u>	<u>15,100</u>	<u>15,013</u>	<u>87</u>

See notes to financial statements.

CITY OF GRAYSVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued):				
Public welfare and recreation -				
Recreation:				
Utilities	3,500	2,625	2,604	21
Insurance	200	200	160	40
Operating supplies	1,500	1,350	1,325	25
Repairs and maintenance	16,000	1,050	1,037	13
Telephone	800	725	720	5
Total recreation	<u>22,000</u>	<u>5,950</u>	<u>5,846</u>	<u>104</u>
Library:				
Salaries	29,700	30,025	30,004	21
Payroll taxes	2,400	2,150	2,132	18
Telephone	1,200	1,200	1,187	13
Insurance	1,800	1,475	1,468	7
Office supplies	500	575	566	9
Operating supplies	2,500	2,250	2,231	19
Repairs and maintenance	400	75	65	10
Miscellaneous	200	575	557	18
Total library	<u>38,700</u>	<u>38,325</u>	<u>38,210</u>	<u>115</u>
Total public welfare and recreation	<u>60,700</u>	<u>44,275</u>	<u>44,056</u>	<u>219</u>

See notes to financial statements.

CITY OF GRAYSVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued):				
Capital outlay -				
General government	5,000	4,625	4,611	14
Public safety	400,000	5,000	4,644	356
State Street Aid	295,000	293,500	293,449	51
Public welfare and recreation	-	14,850	14,804	46
Total capital outlay	<u>700,000</u>	<u>317,975</u>	<u>317,508</u>	<u>467</u>
Debt service -				
City Hall	6,500	6,440	6,432	8
State Street Aid	5,500	3,700	3,699	1
Other	<u>3,500</u>	<u>2,560</u>	<u>2,553</u>	<u>7</u>
Total debt service	<u>15,500</u>	<u>12,700</u>	<u>12,684</u>	<u>16</u>
Total expenditures	<u>1,229,040</u>	<u>838,290</u>	<u>835,347</u>	<u>2,943</u>
Excess of revenues over expenditures	<u>\$ 38,060</u>	<u>\$ 203,810</u>	224,853	<u>\$ 21,043</u>
FUND BALANCE at beginning of fiscal year			<u>135,380</u>	
FUND BALANCE at end of fiscal year			<u>\$ 360,233</u>	

See notes to financial statements.

CITY OF GRAYSVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL – SOLID WASTE FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Collection charges	\$ 65,000	\$ 65,000	\$ 59,817	\$ (5,183)
EXPENDITURES				
Salaries	20,200	20,200	15,754	4,446
Payroll taxes	1,400	1,400	1,152	248
Brush collection	17,000	17,000	16,920	80
Professional services	6,600	6,600	5,250	1,350
Telephone	1,500	1,500	1,890	(390)
Utilities	1,700	1,700	1,267	433
Insurance	6,600	6,600	7,573	(973)
Office supplies	1,400	1,400	901	499
Operating supplies	5,500	5,500	1,293	4,207
Clothing and uniforms	1,500	1,500	1,227	273
Dues and subscriptions	200	200	131	69
Vehicle expense	13,300	13,300	6,496	6,804
Landfill fees	2,800	2,800	2,707	93
Miscellaneous	400	400	826	(426)
Total expenditures	<u>80,100</u>	<u>80,100</u>	<u>63,387</u>	<u>16,713</u>
Excess of expenditures over revenues	<u>\$ (15,100)</u>	<u>\$ (15,100)</u>	<u>(3,570)</u>	<u>\$ 11,530</u>
FUND BALANCE at beginning of fiscal year			<u>75,136</u>	
FUND BALANCE at end of fiscal year			<u>\$ 71,566</u>	

See notes to financial statements.

CITY OF GRAYSVILLE, TENNESSEE

STATEMENT OF NET ASSETS

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Enterprise Fund</u> <u>Water Fund</u>
CURRENT ASSETS:	
Cash and cash equivalents	\$ 306,960
Investments	38,783
Accounts receivable, net	37,100
Due from other funds	<u>41,222</u>
Total current assets	<u>424,065</u>
CAPITAL ASSETS:	
Land	7,580
Other capital assets – net of accumulated depreciation	<u>1,585,166</u>
Total capital assets	<u>1,592,746</u>
Total assets	<u>\$ 2,016,811</u>
CURRENT LIABILITIES:	
Accounts payable	\$ 8,881
Accrued liabilities	1,768
Note payable – RDA, current portion	5,910
Due to other governments	<u>589</u>
Total current liabilities	<u>17,148</u>
NON-CURRENT LIABILITIES:	
Customer deposits	8,914
Compensated absences	3,068
Note payable - RDA	<u>353,386</u>
Total non-current liabilities	<u>365,368</u>
NET POSITION:	
Invested in capital assets – net of related debt	1,233,449
Unrestricted	<u>400,846</u>
Total net position	<u>1,634,295</u>
Total liabilities and net position	<u>\$ 2,016,811</u>

See notes to financial statements.

CITY OF GRAYSVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Enterprise Fund</u> <u>Water Fund</u>
OPERATING REVENUES:	
Water sales	\$ 249,713
Penalties	9,645
Connection fees	8,380
Other operating	<u>482</u>
Total operating revenues	<u>268,220</u>
OPERATING EXPENSES:	
Water distribution and pumping	140,873
Administration	67,982
Depreciation	<u>52,404</u>
Total operating expenses	<u>261,259</u>
Operating income	<u>6,961</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest revenue	380
Interest expense	<u>(10,873)</u>
Total non-operating revenues (expenses)	<u>(10,493)</u>
Change in net assets	
Net assets, beginning of year	<u>1,637,827</u>
Net assets, end of year	<u>\$ 1,634,295</u>

See notes to financial statements.

CITY OF GRAYSVILLE, TENNESSEE

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 267,453
Payments to suppliers	(107,824)
Payments to employees	<u>(97,236)</u>

Net cash provided by operating activities 62,393

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and construction of capital assets	(1,170)
Payments on capital debt	(5,736)
Interest paid on capital debt	<u>(10,873)</u>

Net cash used by capital and related financing activities (17,779)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(88)
Interest payments received	<u>380</u>

Net cash provided by investing activities 292

Net increase in cash 44,906

Cash, beginning of year 262,054

Cash, end of year \$ 306,960

See notes to financial statements.

CITY OF GRAYSVILLE, TENNESSEE
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

RECONCILIATION OF OPERATING INCOME TO NET CASH
USED BY OPERATING ACTIVITIES:

Operating income	\$ 6,961
Adjustments to reconcile operating income to net cash provided by operating activities -	
Depreciation	52,403
Increase or decrease in:	
Accounts receivable	(747)
Due to/from other funds	7,159
Due to/from other governments	(5,740)
Accounts payable	548
Accrued liabilities	1,107
Customer deposits	(20)
Compensated absences	<u>722</u>
Net cash used by operating activities	<u>\$ 62,393</u>

See notes to financial statements.

CITY OF GRAYSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The City of Graysville, Tennessee operates under a Mayor and Board of Commissioners within the following departments: general government, public safety, public works, state street aid, and public welfare and recreation.

The financial statements of the City of Graysville, Tennessee, have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The more significant of the City's accounting policies are described below.

Reporting entity. The City of Graysville, Tennessee, is a municipal corporation incorporated under provisions of the laws of the state of Tennessee. The City is governed by an elected mayor and four other commissioners who jointly appoint a city recorder to oversee the general administrative responsibilities.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement Number 14, "*The Financial Reporting Entity*." This statement requires that the financial statements present the City of Graysville, Tennessee (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting one of the following criteria: the primary government is accountable for the component unit (i.e., the primary government appoints the voting majority of the potential component unit board and the primary government is able to impose its will upon the potential component unit), or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

Based on the foregoing criteria, there are no entities which meet the above criteria for the City of Graysville, Tennessee.

Measurement focus, basis of accounting and basis of presentation. The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures or expenses as appropriate. Governmental resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

CITY OF GRAYSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued).

The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Government-wide statements – The Statement of Net Position and Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents both a gross and a net cost comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The net cost (by function or business-type activity) is normally covered by general revenue (property or sales taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is designed to view the City as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Government fund financial statements - Government fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the government-wide financial statements. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

CITY OF GRAYSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued).

The following are the City's major funds:

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

Solid Waste Fund – This fund is used to account for the City's solid waste program.

The City reports the following major enterprise fund:

Water Fund – This fund is used to account for the provision of water services to the residents of the City.

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

Government 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 City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, gasoline taxes, business taxes, income taxes, and in-lieu of taxes are susceptible to accrual. Licenses and permits, fines and forfeitures, gross receipts taxes and excise taxes are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and accrued vacation, which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

CITY OF GRAYSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued).

Measurement focus – basis of accounting (Continued). Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operation. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

All governmental and business-type activities of the City follow FASB ASC, unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails.

Fund balance classification. For the fiscal year ending June 30, 2014, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balanced more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority, the Board of Commissioners. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint either by ordinance or resolution.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the Board of Commissioners or by an official or body to which the Board delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second and unassigned funds last.

CITY OF GRAYSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued).

Budgets and budgetary accounting. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

During May and June, the Mayor and Commissioners meet with the department heads and the City Recorder to determine the City's budget.

Budget items are discussed at these regularly scheduled meetings and in special called meetings in June. Subsequently, the budget is enacted through vote of the Commissioners, with an operative date of July 1.

Formal budgets are adopted for the General Fund, Solid Waste Fund and Special Revenue Funds on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Therefore, no adjustments are necessary to convert the actual GAAP data from the budgetary basis. These formal budgets are adopted on a departmental basis. The City mayor is authorized to transfer budgeted amounts within divisions. However, any revision that alters the total expenditures of any division must be approved by the Board of Commissioners. Expenditures may not legally exceed budgeted appropriations at fund level.

Budgeted amounts reflected in the accompanying final budget and actual comparison are as originally adopted in accordance with GAAP, or as amended by the Commissioners throughout the year. All annual appropriations which are not expended, lapse at year end.

Budgets for the Enterprise Fund are adopted by the Commissioners as a management tool.

During the year, re-allocation of funds between departments was necessary. The effect of the amendments did not increase budgeted revenues or budgeted expenditures in the governmental funds.

Cash and cash equivalents. For purposes of reporting cash on the Statement of Net Assets, the City considers unrestricted highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash consists of cash on hand and on deposit with financial institutions. These are classified on the Statement of Cash Flows as "Cash". At June 30, 2015, the City had no cash equivalents.

Investments. Investments are reported at fair value which is based on quoted market prices. These are classified on the Statement of Net Position as "Investments".

The City is authorized by state statutes to invest in the following:

- Bonds, notes or treasury bills of the United States
- Non-convertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Student Loan Marketing Association

CITY OF GRAYSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued).

- Any obligation guaranteed by the United States or any of its agencies
- Certificates of deposit at state and federal chartered banks and savings and loan associations
- The Local Government Investment Pool created by Title 9

Interfund receivables and payables. Short-term advances between funds are not eliminated but accounted for in the appropriate interfund receivable and payable accounts classified as due to other funds and due from other funds in the fund financial statements, and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Transactions between funds. Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expenses in the fund that is reimbursed. All other legally authorized transfers are not eliminated but treated as operating transfers and are included as other financing sources or uses in the governmental funds and reported after non-operating revenues or expenses in the enterprise funds.

Capital assets. Capital assets, which include property, plant and equipment and infrastructure assets (e.g., primary roads, secondary roads, drainage), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. 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 assets' lives are not capitalized.

Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

	<u>Useful life</u>
Buildings	40 - 50 years
Vehicles	5 - 10 years
Equipment	7 years

CITY OF GRAYSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued).

Capital assets of the proprietary funds are accounted for in the proprietary fund and are stated at cost or estimated fair market value when original cost is not available. Major additions are capitalized while maintenance and repairs, including the cost of minor items of property, are expensed as incurred. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are as follows:

	<u>Useful life</u>
Equipment	5 - 10 years
Water plant and distribution system	10 - 75 years
Vehicles	5 - 7 years

Donated capital assets are valued at their estimated fair value on the date donated. The City's policy is to capitalize the net interest cost incurred during the year resulting from borrowings utilized to finance the construction of assets.

Compensated absences. City employees are granted annual leave in varying amounts. In the event of termination, an employee is paid for accumulated annual leave. Government-wide and proprietary funds accrued vacation benefits in the period they are earned. A liability for these amounts is reported in governmental funds only if they have matured.

Restricted net position. The City records restrictions of net position, which are maintained for specific purposes.

Bond discounts and issuance cost. In the governmental funds, bond discounts and issuance costs are treated as period costs in the year of issue.

In proprietary funds, bond discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

At the government-wide level any bond discounts and issuance costs in the governmental funds are adjusted and reported in the same manner as in proprietary funds.

Property taxes. Property taxes are levied by the City on January 1st on property values assessed by Rhea County for that calendar year. The lien date is also January 1st. The billings are mailed October 1st and are considered due upon receipt by the taxpayer; however the actual date is based on a period ending approximately 60 days after the calendar year end. On this date, March 1st, the bill becomes delinquent and penalties and interest may be assessed.

CITY OF GRAYSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued).

Property taxes are recognized on the modified accrual basis on the government fund financial statements. Proper allowances are made for estimated uncollectible accounts and delinquent accounts when necessary. The tax rate for the 2015 levy is \$1.35 per \$100 of assessed valuation, and the tax rate for the 2014 levy is \$1.35 per \$100 of assessed valuation.

Property taxes for the 2015 levy are considered to be owed to the City as of the lien date on January 1, 2015. Therefore, the entire 2015 levy was recorded as receivable and deferred revenues as of June 30, 2015.

Prepayment of expenditures. Governmental fund expenditures for insurance and similar services extending over more than one accounting period are not allocated between accounting periods but accounted for as expenditures of the period of acquisition.

Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events. Management has evaluated subsequent events through January 17, 2016, the date the financial statements were available to be issued.

2. ACCOUNTS RECEIVABLE, NET.

Accounts receivable – net at June 30, 2015 consist of the following:

	Water Fund
Customer receivables	\$ 41,400
Less: allowance for doubtful accounts	<u>4,300</u>
Total	<u>\$ 37,100</u>

Bad debt expense was \$15,041 for the year ended June 30, 2015.

CITY OF GRAYSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

3. CASH DEPOSITS AND INVESTMENTS.

Cash deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 605,968
Investments	<u>294,981</u>
Total cash deposits and investments	<u>\$ 900,949</u>

Cash deposits and investments as of June 30, 2015, consist of the following:

Cash on hand	\$ 256
Deposits with financial institutions	696,509
Investments	<u>204,184</u>
Total cash deposits and investments	<u>\$ 900,949</u>

Deposits. The City's policies limit deposits to those allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized with securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents.

At June 30, 2015, the City's deposits had a carrying amount of \$605,968 and a bank balance of \$601,106. The City's bank balances at year-end were entirely insured or collateralized by either federal depository insurance or the Tennessee Bank Collateral Pool.

Investments. State statutes authorize the City to invest in bonds, notes or treasury bills of the United States and obligations guaranteed by the United States or any of its agencies; certificates of deposit at Tennessee state chartered banks and a savings and loan associations and federally chartered banks and savings and loan associations; and repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

At June 30, 2015, the City's investment balances were as follows:

	<u>Maturities</u>	<u>Fair Value</u>
Bank money market accounts	Daily	\$ 204,184
Certificates of Deposit	Various	<u>90,797</u>
Total investments		<u>\$ 294,981</u>

CITY OF GRAYSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

4. PROPERTY TAXES RECEIVABLE, NET.

Property taxes were levied for 2015 at the rate of \$1.35 per \$100 of assessed value and for 2014 at the rate of \$1.35 per \$100 of assessed value. Property taxes receivable as of June 30, 2015, including prior years unpaid taxes are composed of the following:

<u>Year of Levy</u>	<u>Amount</u>
2015	\$ 124,700
2014	12,860
2013	5,834
2012	5,459
2011	3,182
2010	2,024
2009	1,519
2008	2,653
2007	1,253
2006	177
2005	785
2004	745
	<u>161,191</u>
Allowance for uncollectible taxes	<u>4,000</u>
Property taxes receivable, net	<u>\$ 157,191</u>

5. DUE FROM OTHER GOVERNMENTS.

Due from other governments at June 30, 2015, consists of the following:

	<u>General Fund</u>
Local sales tax	\$ 17,887
State income tax	1,469
State street aid revenues	1,519
City streets and transportation revenues	6,268
State shared revenue	20,599
Telecommunications tax	<u>29</u>
Total	<u>\$ 47,771</u>

6. INTERNAL BALANCES.

As of June 30, 2015, the Water Fund has \$41,036 due to it from the General Fund. The General Fund owes the Beautification Fund \$815, and the Historical Fund \$557.

7. DUE TO OTHER GOVERNMENTS.

Due to other governments at June 30, 2015, are as follows:

Due to State of Tennessee	<u>\$ 65,188</u>
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CITY OF GRAYSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

8. DEFERRED INFLOWS OF RESOURCES.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

Property taxes \$ 124,700

9. CAPITAL ASSETS.

Capital asset activity for the year ended June 30, 2015, is as follows:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 65,565	\$ -	\$ -	\$ 65,565
Total non-depreciable assets	<u>65,565</u>	<u>-</u>	<u>-</u>	<u>65,565</u>
Depreciable assets:				
Buildings	597,954	1,340	-	599,294
Construction – in – process	-	23,266	-	23,266
Vehicles	326,459	13,000	137,229	202,230
Equipment	<u>22,794</u>	<u>19,995</u>	<u>-</u>	<u>42,789</u>
Total depreciable assets	947,207	57,601	137,229	867,579
Less: accumulated depreciation	<u>402,123</u>	<u>31,660</u>	<u>132,229</u>	<u>301,554</u>
Depreciable assets, net	<u>545,084</u>	<u>25,941</u>	<u>5,000</u>	<u>566,025</u>
Governmental activities capital assets, net	<u>\$ 610,649</u>	<u>\$ 25,941</u>	<u>\$ 5,000</u>	<u>\$ 631,590</u>

CITY OF GRAYSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

9. CAPITAL ASSETS (Continued).

Depreciation expense was charged to the functions of the government as follows:

General government	\$ 4,627
Public safety	24,719
Public works	1,604
Public welfare and recreation	<u>710</u>
Total	<u>\$ 31,660</u>

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Business-type Activities:				
Non-depreciable assets:				
Land	\$ 7,580	\$ -	\$ -	\$ 7,580
Total non-depreciable assets	<u>7,580</u>	<u>-</u>	<u>-</u>	<u>7,580</u>
Depreciable assets:				
Water plant and Distribution systems	2,225,934	1,170	-	2,227,104
Equipment	16,806	-	-	16,806
Vehicles	<u>29,040</u>	<u>-</u>	<u>-</u>	<u>29,040</u>
Total depreciable assets	2,271,780	1,170	-	2,272,950
Less: accumulated depreciation	<u>635,381</u>	<u>52,403</u>	<u>-</u>	<u>687,784</u>
Total capital assets being depreciated, net	<u>1,636,399</u>	<u>(51,233)</u>	<u>-</u>	<u>1,585,166</u>
Business-type activities capital assets, net	<u>\$ 1,643,979</u>	<u>\$ (51,233)</u>	<u>\$ -</u>	<u>\$ 1,592,746</u>

CITY OF GRAYSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

10. LONG-TERM DEBT.

Governmental debt. Long-term debt which consists of general obligation bonds and compensated absences is summarized as follows:

	<u>Principal Balance</u>
Series 2012, original loan \$129,740 for renovations to old school to repurpose as new municipal building, payable in monthly installments of \$536 with interest at 3.75%, final maturity in 2049	\$ 124,774
Series 2014-A, original loan \$300,000 for repaving of city streets. Payable in annual principle payments due on September 1 of each year. Interest at 3.58% due semi-annually, on March 1 and September 1. Matures September 1, 2024	300,000
Series 2014-B, original loan \$170,000 for construction of new fire hall. Payable in annual principle payments due on September 1 of each year. Interest at 3.58% due semi-annually, on March 1 and September 1. Matures September 1, 2024	170,000
Compensated absences payable	<u>4,484</u>
Less: current portion of governmental long-term debt	<u>38,783</u>
Total governmental long-term debt	<u>\$ 560,475</u>

A summary of changes in governmental long-term debt for the year ended June 30, 2015, is as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>	<u>Amount Due Within One Year</u>
Series 2012	\$ 126,491	\$ -	\$ 1,717	\$ 124,774	\$ 1,783
Series 2014	-	300,000	-	300,000	24,000
Series 2015	-	170,000	-	170,000	13,000
Compensated Absences	<u>4,278</u>	<u>4,484</u>	<u>4,278</u>	<u>4,484</u>	<u>4,484</u>
Total	<u>\$ 130,769</u>	<u>\$ 474,484</u>	<u>\$ 5,995</u>	<u>\$ 599,258</u>	<u>\$ 43,267</u>

Interest paid during the year ended June 30, 2015, on governmental long-term debt was \$10,967.

CITY OF GRAYSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

10. LONG-TERM DEBT (CONTINUED).

Governmental debt. (Continued)

Governmental debt service requirements to maturity, including interest, are as follows:

Year ending June 30	Principal	Interest	Total Requirements
2016	\$ 38,783	\$ 20,812	\$ 59,595
2017	43,851	19,330	63,181
2018	44,922	17,738	62,660
2019	45,995	16,108	62,103
2020	48,072	14,421	62,493
2021-2025	269,606	44,252	313,858
2026-2030	13,994	18,166	32,160
2031-2035	16,876	15,284	32,160
2036-2040	20,349	11,811	32,160
2041-2045	24,540	7,620	32,160
2046-2050	<u>27,785</u>	<u>1,017</u>	<u>28,802</u>
Total	<u>\$ 594,773</u>	<u>\$ 186,559</u>	<u>\$ 781,332</u>

Note: Compensated absences are not included in the above debt service requirement schedule.

Business-type debt.

Water Fund: Long-term debt, payable by the Water Fund, which consists of revenue bonds and compensated absences, is summarized as follows:

Series 2011 revenue bond, original loan \$376,000 for construction of new water treatment plant, payable in monthly installments of \$1,384 including interest at 3.0%, final maturity in 2050	\$ 359,296
Compensated absences payable	<u>3,068</u>
	<u>\$ 362,364</u>

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Amount Due Within One Year
Series 2011	\$ 365,032	\$ -	\$ 5,736	\$ 359,296	\$ 5,910
Compensated Absences	<u>2,346</u>	<u>3,068</u>	<u>2,346</u>	<u>3,068</u>	<u>3,068</u>
	<u>\$ 367,378</u>	<u>\$ 3,068</u>	<u>\$ 8,082</u>	<u>\$ 362,364</u>	<u>\$ 8,978</u>

CITY OF GRAYSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

10. LONG-TERM DEBT (CONTINUED).

Business-type debt. (Continued).

Maturing June 30	Principal	Interest	Total Requirements
2016	\$ 5,910	\$ 10,698	\$ 16,608
2017	6,090	10,518	16,608
2018	6,275	10,333	16,608
2019	6,466	10,142	16,608
2020	6,662	9,946	16,608
2021-2025	36,478	46,562	83,040
2026-2030	42,374	40,666	83,040
2031-2035	49,222	33,818	83,040
2036-2040	57,178	25,862	83,040
2041-2045	66,418	16,622	83,040
2046-2050	<u>76,223</u>	<u>5,890</u>	<u>82,113</u>
Total	<u>\$ 359,296</u>	<u>\$ 221,057</u>	<u>\$ 580,353</u>

11. RESTRICTED NET POSITION.

The City can restrict net position and designate portions of unrestricted net position to be maintained for specific purposes. The nature and purpose of these are explained as follows:

Restricted net position. Assets included in governmental funds that have specific restrictions on them include the following:

Police Drug Fund	\$ 4,261
City Beautification Fund	815
City Historical Fund	557
Library operations	230
Sanitation operations	33,316
Sanitation capital purchases	38,249
Fire hall construction	<u>170,000</u>
	<u>\$ 247,428</u>

Permanently restricted. A permanent endowment is maintained to provide funds for the City to maintain a local cemetery.

Expendible	\$ 5,594
Nonexpendible	<u>50,000</u>
	<u>\$ 55,594</u>

CITY OF GRAYSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

12. COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS.

There was no material non-compliance with finance related legal and contractual provisions.

13. RISK MANAGEMENT POOL.

The City is exposed to various risk of loss related to torts, errors and omissions, damages to assets and injuries to employees. The City has joined the Tennessee Municipal League Risk Management Pool (TML). The membership allows the City to share liability, motor vehicle and employee injury risks.

The TML Risk Management Pool is a governmental entity organized by Tennessee cities as a not-for-profit corporation to provide liability and workers' compensation coverage to Tennessee cities. Emphasis is on risk management and controlling losses, as all costs are shared by the Pool member cities. An extensive program of loss prevention, employee training, and legal counsel supplements experienced claims processing for member cities.

Coverages are as follows:

Comprehensive general liability	\$100,000 per occurrence for each other loss State Tort Limits*
Law enforcement liability	\$100,000 per occurrence for each other loss State Tort Limits*
Automobile liability and physical damage	\$100,000 per occurrence for each other loss State Tort Limits*
Errors or omissions	\$1,000,000 per occurrence
Workers compensation	Coverage A TN Statutory Coverage B Employers Liability \$300,000 / \$300,000 / \$700,000
Property	\$5,500,105
Employee dishonesty	\$150,000 per loss
Forgery or alteration	\$150,000 per loss
Theft, disappearance, destruction	\$150,000 per loss
Computer fraud	\$150,000 per loss

*State Tort Limits:

- \$300,000 per person
- \$1,000,000 per occurrence
- \$100,000 per property

CITY OF GRAYSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

13. RISK MANAGEMENT POOL (CONTINUED).

The responsibilities of the City are as follows:

To pay all contributions or other sums due to TML at such times and in such amounts as shall be established by TML.

To allow TML and its agents reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of TML during the coverage period and up to (3) three years afterward.

To allow attorneys appointed by TML to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by TML.

To assist and cooperate in the defense and settlement of claims against the City.

To furnish full cooperation to TML's attorneys, claims adjusters and any agent, employee, officer or independent contractor of TML relating to the purposes of TML.

To follow all loss reduction and prevention procedures established by TML where possible.

To furnish TML such operating and underwriting information as may be requested.

To report as promptly as possible, and in accordance with and conditions issued, all incidents which could result in TML being required to pay claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection in which the City participates.

To allow TML to inspect and appraise any damaged property before its repair disposition.

The City must cooperate with the pool in any dispute resolutions with other insurance companies.

The responsibilities of TML are as follows:

TML will defend any suit against the City or covered party seeking damages even if any of the allegations of the suit are groundless, false, or fraudulent.

TML's duty to pay on behalf of or to indemnify a covered party other than the City does not apply to any act, error or omission:

- (1) That constitutes a malfeasance in office;
- (2) That constitutes willful and wanton neglect of duty;
- (3) That constitutes dishonesty on the part of a covered party; or
- (4) That constitutes the willful violation of a statute or ordinance by an official, employee, or agent of the municipality.

CITY OF GRAYSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

13. RISK MANAGEMENT POOL (CONTINUED).

The City has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The City is not aware of any claims, which the City is liable for (up to the applicable deductible) which were outstanding and unpaid at June 30, 2015. No provision has been made in the financial statements for the year ended June 30, 2015, for any estimate of potential unpaid claims.

14. COMMERCIAL INSURANCE.

It is the policy of the City to purchase commercial insurance for various risks of losses to which it is exposed. These risks include general liability, property, casualty and employee health. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

15. CONTINGENCIES AND LITIGATION.

The State of Tennessee shares certain tax revenue with municipalities based on the tax collected within the boundaries of that municipality. For the year ended June 30, 2001, the City received \$198,382 of state and local options sales tax. The City was later notified that it was overpaid due to errors in the tax returns filed by a taxpayer during the year, and that the City would be required to repay the excess sales tax received. As of the date of these financial statements, the exact amount has not been determined. An estimated liability in the amount of \$65,382 is reported in these financial statements.

CITY OF GRAYSVILLE, TENNESSEE
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

JUNE 30, 2015

Special revenue funds are used to account for the proceeds of specific revenues that are legally restricted to finance specific functions or activities of government and which, therefore, cannot be diverted to other uses.

Drug Fund. This fund is used to account for investigations of violations of controlled substance laws and is funded primarily by the state statute from the receipt of fines and costs related to drug enforcement cases.

Beautification Fund. This fund was established to fund projects to beautify the City. Donations and fund raisers are the main sources of revenue.

Historical Fund. This fund was established to raise funds to help preserve some of the City's historical homes.

PERMANENT FUND

Cemetery Endowment Fund. This fund accounts for a nonexpendable gift to the City. The City invests these funds to generate earnings, which is used for the maintenance of the cemetery.

CITY OF GRAYSVILLE, TENNESSEE
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue		
	Drug Fund	Beautification Fund	Historical Fund
ASSETS			
Cash	\$ 1,896	\$ -	\$ -
Due from other funds	2,365	815	557
Total assets	\$ 4,261	\$ 815	\$ 557
FUND BALANCE			
Fund balances:			
Non-spendable	\$ -	\$ -	\$ -
Restricted	4,261	815	557
Total fund balance	\$ 4,261	\$ 815	\$ 557

<u>Cemetery Fund</u>	<u>Total Non-major Governmental Funds</u>
--------------------------	---

\$ 55,594	\$ 57,490
<u>-</u>	<u>3,737</u>

<u>\$ 55,594</u>	<u>\$ 61,227</u>
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\$ 50,000	\$ 50,000
<u>5,594</u>	<u>11,227</u>

<u>\$ 55,594</u>	<u>\$ 61,227</u>
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CITY OF GRAYSVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>Special Revenue</u>		
	<u>Drug Fund</u>	<u>Beautification Fund</u>	<u>Historical Fund</u>
REVENUES -			
Fines and forfeiture	\$ 3,796	\$ -	\$ -
Interest	-	-	-
Total revenues	<u>3,796</u>	<u>-</u>	<u>-</u>
EXPENDITURES -			
Public safety	531	-	-
Capital outlay	<u>13,000</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>13,531</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(9,735)	-	-
FUND BALANCE, beginning	<u>13,996</u>	<u>815</u>	<u>557</u>
FUND BALANCE, ending	<u>\$ 4,261</u>	<u>\$ 815</u>	<u>\$ 557</u>

<u>Cemetery Fund</u>	<u>Total Non-major Governmental Funds</u>
\$ -	\$ 3,796
<u>5,594</u>	<u>5,594</u>
<u>5,594</u>	<u>9,390</u>
-	531
<u>-</u>	<u>13,000</u>
<u>-</u>	<u>13,531</u>
5,594	(4,141)
<u>50,000</u>	<u>65,368</u>
<u>\$ 55,594</u>	<u>\$ 61,227</u>

CITY OF GRAYSVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - DRUG FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Fines and forfeitures --				
Drug fines	\$ 1,000	\$ 1,000	\$ 1,431	\$ 431
Proceeds from forfeitures	<u>-</u>	<u>2,300</u>	<u>2,365</u>	<u>65</u>
Total revenues	<u>1,000</u>	<u>3,300</u>	<u>3,796</u>	<u>496</u>
EXPENDITURES:				
Current expenditures -				
Public Safety -				
Police department -				
Office Supplies	500	600	531	69
Machinery and equipment	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>	<u>-</u>
Total expenditures	<u>13,500</u>	<u>13,600</u>	<u>13,531</u>	<u>69</u>
Net changes in fund balance	<u>\$ (12,500)</u>	<u>\$ (10,300)</u>	<u>(9,735)</u>	<u>\$ 565</u>
FUND BALANCE, beginning			<u>13,996</u>	
FUND BALANCE, end			<u>\$ 4,261</u>	

CITY OF GRAYSVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL – BEAUTIFICATION FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Miscellaneous -				
Program income	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Total revenues	_____ -	_____ -	_____ -	_____ -
EXPENDITURES:				
Current expenditures -				
Public welfare and recreation				
Operating expenses	_____ -	_____ -	_____ -	_____ -
Total expenditures	_____ -	_____ -	_____ -	_____ -
Net changes in fund balance	<u>\$ _____ -</u>	<u>\$ _____ -</u>	_____ -	<u>\$ _____ -</u>
FUND BALANCE, beginning			<u>815</u>	
FUND BALANCE, end			<u>\$ 815</u>	

CITY OF GRAYSVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL – HISTORICAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Miscellaneous				
Program revenues	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Total revenues	_____ -	_____ -	_____ -	_____ -
Net changes in fund balance	<u>\$ _____ -</u>	<u>\$ _____ -</u>	-	<u>\$ _____ -</u>
FUND BALANCE, beginning			<u>557</u>	
FUND BALANCE, end			<u>\$ 557</u>	

CITY OF GRAYSVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL – CEMETERY FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Interest	\$ 5,000	\$ 5,000	\$ 5,594	\$ 94
EXPENDITURES:				
Capital outlay	-	-	-	-
Net changes in fund balance	<u>\$ 5,000</u>	<u>\$ 5,000</u>	5,594	<u>\$ 94</u>
FUND BALANCE, beginning			<u>50,000</u>	
FUND BALANCE, end			<u>\$ 55,594</u>	

CITY OF GRAYSVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

<u>Grantor/Pass-through Agency</u>	<u>Federal CFDA Number</u>	<u>State Grant/Project Number</u>	<u>Accrued (Deferred) Grant Revenues July 1, 2014</u>
Federal -			
U. S. Department of Housing and Urban Development Tennessee Department of Economic and Community Development - Community Development Block Grant	14,228	33004-23714	\$ _____ -
Total Federal Awards			_____ -
State -			
Governor's State Highway Safety Office - Highway Safety Grant - Police Education and Training			_____ -
Total State Awards			_____ -
Total Federal and State Awards			\$ _____ -

<u>Grant Revenues Received</u>	<u>Grant Expenditures</u>	<u>Accrued (Deferred) Grant Revenues June 30, 2015</u>
\$ <u>23,267</u>	\$ <u>23,267</u>	\$ -
<u>23,267</u>	<u>23,267</u>	-
4,941	4,941	-
<u>2,400</u>	<u>2,400</u>	-
<u>7,341</u>	<u>7,341</u>	-
<u>\$ 30,608</u>	<u>\$ 30,608</u>	<u>\$ -</u>

CITY OF GRAYSVILLE, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

JUNE 30, 2015

1. BASIS OF PRESENTATION.

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the City of Graysville, Tennessee and is presented on the modified accrual basis of accounting.

CITY OF GRAYSVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION

BUDGET AND ACTUAL – WATER FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		Positive/ (Negative)
OPERATING REVENUES:				
Water sales	\$ 241,000	\$ 241,000	\$ 249,713	\$ 8,713
Penalties	8,700	8,700	9,645	945
Connection fees	7,000	7,000	8,380	1,380
Other operating	6,800	6,800	482	(6,318)
Total operating revenues	<u>263,500</u>	<u>263,500</u>	<u>268,220</u>	<u>4,720</u>
OPERATING EXPENSES:				
Water distribution and pumping -				
Salaries	64,200	64,200	65,610	(1,410)
Payroll taxes	5,000	5,000	4,619	381
Bad debts	-	-	15,041	(15,041)
Equipment rent	800	800	-	800
Telephone	1,200	1,200	1,080	120
Utilities	21,500	21,500	6,331	15,169
Insurance	16,300	16,300	15,189	1,111
Education and training	600	600	489	111
Operating supplies	8,000	8,000	8,689	(689)
Repairs and maintenance	24,000	24,000	14,350	9,650
Vehicle expense	6,500	6,500	8,162	(1,662)
Miscellaneous	1,600	1,600	1,313	287
Total water distribution and pumping	<u>149,700</u>	<u>149,700</u>	<u>140,873</u>	<u>8,827</u>

CITY OF GRAYSVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION

BUDGET AND ACTUAL – WATER FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
Administration -				
Salaries	39,000	39,000	32,348	6,652
Payroll taxes	3,200	3,200	2,448	752
Employee benefits	-	-	-	-
Professional services	10,200	10,200	8,250	1,950
Telephone	700	700	529	171
Utilities	5,400	5,400	9,019	(3,619)
Insurance	9,400	9,400	8,572	828
Education and travel	1,300	1,300	-	1,300
Dues and subscriptions	600	600	403	197
Office expenses	4,700	4,700	2,126	2,574
Operating supplies	800	800	215	585
Repairs and maintenance	500	500	3,151	(2,651)
Miscellaneous	700	700	921	(221)
	<u>76,500</u>	<u>76,500</u>	<u>67,982</u>	<u>8,518</u>
Total administration				
Depreciation	<u>30,000</u>	<u>30,000</u>	<u>52,404</u>	<u>(22,404)</u>
Total operating expenses	<u>256,200</u>	<u>256,200</u>	<u>261,259</u>	<u>(5,059)</u>
Operating income	<u>7,300</u>	<u>7,300</u>	<u>6,961</u>	<u>(339)</u>
NON-OPERATING REVENUES AND (EXPENSES):				
Interest revenue	200	200	380	180
Interest expense	(16,600)	(16,600)	(10,873)	5,727
Total non-operating revenues (expenses)	<u>(16,400)</u>	<u>(16,400)</u>	<u>(10,493)</u>	<u>5,907</u>
Changes in net position	<u>\$(9,100)</u>	<u>\$(9,100)</u>	<u>(3,532)</u>	<u>\$ 5,568</u>
NET POSITION, beginning			<u>1,637,827</u>	
NET POSITION, end			<u>\$ 1,634,295</u>	

CITY OF GRAYSVILLE, TENNESSEE
SCHEDULE OF PROPERTY TAXES RECEIVABLE

GENERAL FUND

JUNE 30, 2015

<u>Year of Levy</u>	
2015	\$ 124,700
2014	12,860
2013	5,834
2012	5,459
2011	3,182
2010	2,024
2009	1,519
2008	2,653
2007	1,253
2006	177
2005	785
2004	<u>745</u>
Total property taxes receivable	161,191
Less: allowance for uncollectible taxes	<u>4,000</u>
Property taxes receivable - net	<u>\$ 157,191</u>

CITY OF GRAYSVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

GENERAL FUND

JUNE 30, 2015

<u>Year of Levy</u>	<u>Taxes Receivable July 1, 2014</u>	<u>Current Year Levy</u>	<u>Collections and Changes in Assessments</u>	<u>Taxes Receivable June 30, 2015</u>
2015	\$ -	\$ 124,700	\$ -	\$ 124,700
2014	123,036	-	(110,176)	12,860
2013	10,077	-	(4,244)	5,833
2012	6,014	-	(554)	5,460
2011	3,752	-	(570)	3,182
2010	2,053	-	(29)	2,024
2009	1,533	-	(14)	1,519
2008	3,795	-	(1,142)	2,653
2007	1,299	-	(46)	1,253
2006	1,262	-	(1,085)	177
2005	1,778	-	(993)	785
2004	<u>1,060</u>	<u>-</u>	<u>(315)</u>	<u>745</u>
	<u>\$ 155,659</u>	<u>\$ 124,700</u>	<u>\$ (119,168)</u>	<u>\$ 161,191</u>

Note: All uncollected property taxes except for the years of 2015 and 2014 have been turned over to the Chancery Court.

CITY OF GRAYSVILLE, TENNESSEE

TAX RATES AND ASSESSED VALUATION
 APPLICABLE TO THE LAST TEN YEARS

JUNE 30, 2015

<u>Year of Levy</u>	<u>Assessed Valuation</u>	<u>Tax Rate per \$100</u>	<u>Original Levy</u>
2015	\$ 9,237,037	\$ 1.35	\$ 124,700
2014	\$ 9,113,778	\$ 1.35	\$ 123,000
2013	\$ 9,096,296	\$ 1.35	\$ 122,800
2012	\$ 9,093,223	\$ 1.35	\$ 122,759
2011	\$ 8,955,861	\$ 1.35	\$ 121,264
2010	\$ 8,829,876	\$ 1.35	\$ 119,203
2009	\$ 8,826,547	\$ 1.3487	\$ 119,044
2008	\$ 8,083,246	\$ 1.50	\$ 121,249
2007	\$ 7,856,304	\$ 1.50	\$ 117,845
2006	\$ 7,400,000	\$ 1.50	\$ 111,000

CITY OF GRAYSVILLE, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
GOVERNMENTAL FUNDS

JUNE 30, 2015

GENERAL OBLIGATION BOND - SERIES 2012

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 1,783	\$ 4,649	\$ 6,432
2017	1,851	4,581	6,432
2018	1,922	4,510	6,432
2019	1,995	4,437	6,432
2020	2,072	4,360	6,432
2021	2,151	4,281	6,432
2022	2,233	4,199	6,432
2023	2,318	4,114	6,432
2024	2,406	4,026	6,432
2025	2,498	3,934	6,432
2026	2,593	3,839	6,432
2027	2,692	3,740	6,432
2028	2,795	3,637	6,432
2029	2,902	3,530	6,432
2030	3,012	3,420	6,432
2031	3,127	3,305	6,432
2032	3,247	3,185	6,432
2033	3,370	3,062	6,432
2034	3,499	2,933	6,432
2035	3,633	2,799	6,432
2036	3,771	2,661	6,432
2037	3,915	2,517	6,432
2038	4,064	2,368	6,432
2039	4,219	2,213	6,432
2040	4,380	2,052	6,432
2041	4,548	1,884	6,432
2042	4,721	1,711	6,432
2043	4,901	1,531	6,432
2044	5,088	1,344	6,432
2045	5,282	1,150	6,432
2046	5,484	948	6,432
2047	5,693	739	6,432
2048	5,910	522	6,432
2049	6,136	296	6,432
2050	4,562	69	4,631
Totals	<u>\$ 124,773</u>	<u>\$ 98,546</u>	<u>\$ 223,319</u>

CITY OF GRAYSVILLE, TENNESSEE
 SCHEDULE OF DEBT SERVICE REQUIREMENTS

GOVERNMENTAL FUNDS

JUNE 30, 2015

GENERAL OBLIGATION BONDS – SERIES 2014-A

<u>Maturing September 1,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 24,000	\$ 10,310	\$ 34,310
2016	27,000	9,397	36,397
2017	27,000	8,431	35,431
2018	28,000	7,447	35,447
2019	29,000	6,427	35,427
2020	31,000	5,352	36,352
2021	32,000	4,225	36,225
2022	33,000	3,061	36,061
2023	34,000	1,861	35,861
2024	<u>35,000</u>	<u>626</u>	<u>35,626</u>
Totals	<u>\$ 300,000</u>	<u>\$ 57,137</u>	<u>\$ 357,137</u>

CITY OF GRAYSVILLE, TENNESSEE
 SCHEDULE OF DEBT SERVICE REQUIREMENTS
 GOVERNMENTAL FUNDS

JUNE 30, 2015

GENERAL OBLIGATION BONDS – SERIES 2014-B

<u>Maturing September 1,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 13,000	\$ 5,853	\$ 18,853
2016	15,000	5,352	20,352
2017	16,000	4,797	20,797
2018	16,000	4,224	20,224
2019	17,000	3,634	20,634
2020	17,000	3,025	20,025
2021	18,000	2,398	20,398
2022	19,000	1,736	20,736
2023	19,000	1,056	20,056
2024	<u>20,000</u>	<u>358</u>	<u>20,358</u>
Totals	<u>\$ 170,000</u>	<u>\$ 32,433</u>	<u>\$ 202,433</u>

CITY OF GRAYSVILLE, TENNESSEE
 SCHEDULE OF DEBT SERVICE REQUIREMENTS
 PROPRIETARY FUNDS

JUNE 30, 2015

WATER REVENUE AND TAX BONDS – SERIES 2011

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 5,910	\$ 10,698	\$ 16,608
2017	6,090	10,518	16,608
2018	6,275	10,333	16,608
2019	6,466	10,142	16,608
2020	6,662	9,946	16,608
2021	6,865	9,743	16,608
2022	7,074	9,534	16,608
2023	7,289	9,319	16,608
2024	7,511	9,097	16,608
2025	7,739	8,869	16,608
2026	7,975	8,633	16,608
2027	8,217	8,391	16,608
2028	8,467	8,141	16,608
2029	8,725	7,883	16,608
2030	8,990	7,618	16,608
2031	9,263	7,345	16,608
2032	9,545	7,063	16,608
2033	9,836	6,772	16,608
2034	10,135	6,473	16,608
2035	10,443	6,165	16,608
2036	10,761	5,847	16,608
2037	11,088	5,520	16,608
2038	11,425	5,183	16,608
2039	11,773	4,835	16,608
2040	12,131	4,477	16,608
2041	12,500	4,108	16,608
2042	12,880	3,728	16,608
2043	13,272	3,336	16,608
2044	13,675	2,933	16,608
2045	14,091	2,517	16,608
2046	14,520	2,088	16,608
2047	14,961	1,647	16,608
2048	15,416	1,192	16,608
2049	15,885	723	16,608
2050	15,441	240	15,681
Totals	<u>\$ 359,296</u>	<u>\$ 221,057</u>	<u>\$ 580,353</u>

CITY OF GRAYSVILLE, TENNESSEE

UTILITY RATES IN FORCE AS OF

JUNE 30, 2015

Water

<u>Gallons</u>	<u>Inside City</u>	<u>Outside City</u>
First 1,500	\$ 17.49	\$ 27.04
1,501-5,500	\$ 2.24	\$ 3.35
5,501-7,500	\$ 2.33	\$ 3.48
7,501-9,500	\$ 2.41	\$ 3.61
9,501 and over	\$ 2.50	\$ 3.74

The Water Fund had 740 customers at June 30, 2015.

CITY OF GRAYSVILLE, TENNESSEE

SCHEDULE OF INSURANCE COVERAGE

JUNE 30, 2015

<u>Description</u>	<u>Policy Number</u>	<u>Policy Term</u>	<u>Coverage</u>
Property policy	TMP-1297-14	7-31-11/14	\$5,500,105 blanket coverage
Liability policy	TML-0252-12	1-3-11/14	State Tort Limits:
General law enforcement			\$300,000 per person
Errors or omissions (\$1000 deductible)			\$1,000,000 per occurrence
Automobile liability physical damage (\$500 deductible)			\$100,000 per property
Each other non-state tort			\$1,000,000 per occurrence
Worker's Compensation	TWC-0254-14	7-3-11/14	\$300,000 each accident \$300,000 each employee \$700,000 policy limit
Employee dishonesty			\$150,000 per loss
Forgery or alteration			\$150,000 per loss
Theft, disappearance or destruction			\$150,000 per loss
Computer fraud			\$150,000 per loss

CITY OF GRAYSVILLE, TENNESSEE

SCHEDULE OF UNACCOUNTED FOR WATER – AWWA REPORTING WORKSHEET

JUNE 30, 2015

AWWA Free Water Audit Software: WAS v5.0
American Water Works Association
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Reporting Worksheet

Water Audit Report for: **Graysville Water Dept. (TN0000269)**

Reporting Year: **2015** / 7/2014 - 6/2015

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

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

WATER SUPPLIED

Enter grading in column 'E' and 'J'

Volume from own sources:	+ ? 9	53.211	MG/Yr
Water imported:	+ ?		MG/Yr
Water exported:	+ ?		MG/Yr
WATER SUPPLIED:		52.684	MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	1.00%	Value:		MG/Yr
	+ ? 8			
	+ ?			MG/Yr
	+ ?			MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

AUTHORIZED CONSUMPTION

Billed metered:	+ ? 10	39.849	MG/Yr
Billed unmetered:	+ ?	n/a	MG/Yr
Unbilled metered:	+ ? 9	3.048	MG/Yr
Unbilled unmetered:	+ ? 9	3.463	MG/Yr
Unbilled Unmetered volume entered is greater than the recommended default value			
AUTHORIZED CONSUMPTION:		46.358	MG/Yr

Click here: ?
for help using option buttons below

Pcnt:	0	Value:	3.463	MG/Yr
	+ ?			

Use buttons to select percentage of water supplied OR value

Pcnt:	0.25%	Value:		MG/Yr
	+ ?			

5.00%	+ ?			MG/Yr
	+ ?	0.004		MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

6.326 MG/Yr

Apparent Losses

Unauthorized consumption:	+ ?	0.132	MG/Yr
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed			
Customer metering inaccuracies:	+ ? 8	2.258	MG/Yr
Systematic data handling errors:	+ ? 10	0.004	MG/Yr
Apparent Losses:		2.393	MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:	+ ?	3.933	MG/Yr
WATER LOSSES:		6.326	MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: + ? **12.835** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ? 10	16.4	miles
Number of active AND inactive service connections:	+ ? 9	733	
Service connection density:	+ ?	45	conn./mile main

Are customer meters typically located at the curbside or property line? Yes

Average length of customer service line: + ?

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: + ? 9 60.0 psi

COST DATA

Total annual cost of operating water system:	+ ? 10	\$187,700	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ? 10	\$4.71	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ? 9	\$560.00	\$/Million gallons

Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

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

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

PRIORITY AREAS FOR ATTENTION:

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

- 1: Volume from own sources
- 2: Unauthorized consumption
- 3: Customer metering inaccuracies

CITY OF GRAYSVILLE, TENNESSEE

SCHEDULE OF UNACCOUNTED FOR WATER –
SYSTEM ATTRIBUTES AND PERFORMANCE INDICATORS

JUNE 30, 2015



AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0
American Water Works Association
Copyright © 2014, All Rights Reserved

Water Audit Report for:

Reporting Year:

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 90 out of 100 ***

System Attributes:

	Apparent Losses:	<input type="text" value="2.393"/>	MG/Yr
	+ Real Losses:	<input type="text" value="3.933"/>	MG/Yr
	= Water Losses:	<input type="text" value="6.326"/>	MG/Yr
<p><input type="checkbox"/> Unavoidable Annual Real Losses (UARL): <input type="text" value="See limits in definition"/> MG/Yr</p> <p>Annual cost of Apparent Losses: <input type="text" value="\$11,273"/></p> <p>Annual cost of Real Losses: <input type="text" value="\$2,202"/> Valued at Variable Production Cost</p> <p style="text-align: right; font-size: small;">Return to Reporting Worksheet to change this assumption</p>			

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	<input type="text" value="24.4%"/>
		Non-revenue water as percent by cost of operating system:	<input type="text" value="9.1%"/> Real Losses valued at Variable Production Cost
Operational Efficiency:	{	Apparent Losses per service connection per day:	<input type="text" value="8.95"/> gallons/connection/day
		Real Losses per service connection per day:	<input type="text" value="14.70"/> gallons/connection/day
		Real Losses per length of main per day*:	<input type="text" value="N/A"/>
		Real Losses per service connection per day per psi pressure:	<input type="text" value="0.24"/> gallons/connection/day/psi
From Above, Real Losses = Current Annual Real Losses (CARL):		<input type="text" value="3.93"/> million gallons/year	
		<input type="checkbox"/> Infrastructure Leakage Index (ILI) [CARL/UARL]: <input type="text"/>	

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Mayor and Board of Commissioners
City of Graysville
Graysville, Tennessee

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Graysville, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Graysville, Tennessee's basic financial statements and have issued our report thereon dated January 17, 2016.

Internal Control Over Financial Reporting

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

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

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

significant deficiencies. (Finding 2015-1)

Compliance and Other Matters

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

City of Graysville, Tennessee's Response to Findings

City of Graysville, Tennessee's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Graysville, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Purpose of the Report

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



Chattanooga, Tennessee
January 17, 2016

CITY OF GRAYSVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2015

Finding 15-1 – Segregation of duties (repeat finding 14-1)

Criteria:

Governmental Auditing Standards (Yellow Book) A.04(g) states that “inadequate controls for safeguarding of assets” is a deficiency in internal controls.

Condition found:

Because the City of Graysville, Tennessee has a limited number of office employees, there is not a proper segregation of duties. A proper division of duties should provide a system of checks and balances so that no one person has control over a complete transaction from beginning to end. Several cross-checks are in place and overlap of duties is severely restricted but not completely eliminated.

Context:

The creation of a complete set of internal controls is necessary to properly detect and correct errors and irregularities on a timely basis. Without sufficient segregation of duties among employees, the system of internal control will not function as designed.

Effect:

Errors or irregularities can exist that would not be detected on a timely basis.

Recommendation:

To guard against undetected errors, additional employees would be needed to divide duties. However, the benefits of the additional controls are not justified by the cost to the City.

Management’s response:

Due to the additional expense involved and the City’s limited resources, we cannot add additional financial personnel at this time. However, we continue to split some duties where possible and are working to reduce the risks as much as possible.

CITY OF GRAYSVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2015

Finding 15-2 – Violation of State Code

Criteria:

Tennessee State Code Annotated requires that property seized related to drug arrests are to be used exclusively in the operations of further police activities.

Condition found:

A vehicle seized several years ago was first put into operation to serve police officers, but later was transferred to the animal control officer, who reported directly to the City police chief, and was enforcing City ordinances as part of his duties. However, due to personnel issues in the police department, was later transferred out from reporting to the police chief.

Context:

The City of Graysville's personnel have had considerable turnover the last two years. Both the City Police Chief and the City Recorder have been terminated and replacements hired. The former individuals were directly involved in the operations of their departments and were aware of state code on the use of seized property, however, replacements were not aware of the method of acquisition of the vehicle and therefore, not cognizant of the restrictions on its use. Although the animal control officer is bonded like a police officer, his duties do not always include actions to enforce the laws of the City, and thus use of the seized vehicle is not appropriate.

Effect:

The effect of these actions was to violate Tennessee State Code related to proper use of property seized.

Recommendation:

The City should immediately return the vehicle to the police department for proper use or conversion to cash that could be used to supplement the activities and needs of the police department in compliance with state code.

Management's response:

We have moved the vehicle from the animal control officer's use and transferred back to the police department. Further, due to the time elapsed since the seizure, we are now making plans to list this vehicle for sale.

CITY OF GRAYSVILLE, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2015

Finding 14-1 – Segregation of duties
Still in effect.