

**TOWN OF CARYVILLE, TENNESSEE**

**BASIC FINANCIAL STATEMENTS  
WITH REQUIRED AND OTHER  
SUPPLEMENTARY INFORMATION**

**For the Fiscal Year Ended June 30, 2012**

**and**

**INDEPENDENT AUDITOR'S REPORT**

TOWN OF CARYVILLE, TENNESSEE

BASIC FINANCIAL STATEMENTS  
WITH REQUIRED AND OTHER SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

<u>INTRODUCTORY SECTION</u>	<u>Page</u>
Letter of Transmittal	1 - 2
List of Principal Officials	3
 <u>FINANCIAL SECTION</u>	
Independent Auditor's Report	4 - 5
Required Supplementary Information: Management's Discussion and Analysis	6 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund Types	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Major Governmental Funds:	
General Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	19 - 24
State Street Aid Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	25
Homes Grant Program:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	26
Notes to Basic Financial Statements	27 - 46
Required Supplementary Information: Schedule of Funding Progress	47

TOWN OF CARYVILLE, TENNESSEE  
BASIC FINANCIAL STATEMENTS  
WITH REQUIRED AND OTHER SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS (Continued)

<u>FINANCIAL SECTION (Continued)</u>	<u>Page</u>
Other Supplementary Information:	
Schedule of Expenditures of Federal and State Awards	48
Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Nonmajor Governmental Funds	50 - 54
Schedule of Long-Term Debt Principal and Interest Requirements by Issue - Governmental-Type Activities	55
Schedule of Insurance in Force and Bonds on Principal Officials	56
Miscellaneous Statistical Data	57
 <u>INTERNAL CONTROL AND COMPLIANCE SECTION</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing     Standards</i>	58 - 59
Summary Schedule of Prior Audit Findings	60

## **INTRODUCTORY SECTION**

# Town of Caryville

4839 Old Highway 63  
Caryville, Tennessee 37714  
423-562-9478 (Office) • 423-562-4373 (Fax)

Board of Mayor and Aldermen  
Town of Caryville, Tennessee

Dear Honorable Mayor and Board of Aldermen:

I am submitting the basic financial statements with required and other supplementary information for the fiscal year ended June 30, 2012. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Town. I believe the data, as presented, is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of operation of the Town as measured by the financial activity of its various funds, and all disclosures necessary to enable the reader to gain maximum understanding of the Town's financial activities have been included.

The basic financial statements with required and other supplementary information is presented in three sections: 1) the introductory section, which contains the transmittal letter and a listing of principal officials; 2) the financial section, which contains the independent auditor's report; the management's discussion and analysis, the basic financial statements, the fund financial statements, and required and other supplementary information; and 3) the internal control and compliance section, which contains the independent auditor's reports on compliance and internal control.

This report includes all funds of the Town. The Town provides a range of services including Police and Fire Protection, Highways and Streets, Sanitation and Solid Waste, Industrial Development, Recreational Activities, and General Administrative Services.

Management of the Town is responsible for establishing and maintaining an internal control structure designed to insure that the assets of the government are protected from loss, theft, or misuse and to insure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) The cost of control should not exceed the benefits likely to be derived; and 2) The valuation of costs and benefits requires estimates and judgments by management.

The Town is responsible for insuring that an adequate internal control structure is in place to insure compliance with applicable laws and regulations related to the operations of the Town. This internal control structure is subject to periodic evaluation by management.

In addition, the Town maintains budgetary controls. The objective of these budgetary controls is to insure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Mayor and Aldermen. Activities of the General Fund and Special Revenue funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level.

The State requires an annual audit of our annual basic financial statements by independent certified public accountants. Accordingly, this year's audit was completed by Brown Jake & McDaniel, PC. In addition to meeting the requirements set forth in the State, the audit was also designed to meet Federal audit requirements.

Respectfully submitted,

TOWN OF CARYVILLE

Cheryl Ivey  
Town Recorder

## TOWN OF CARYVILLE, TENNESSEE

## LIST OF PRINCIPAL OFFICIALS

For the Fiscal Year Ended June 30, 2012

Robert Stooksbury	Mayor
Wade Lawson	Vice Mayor
Vickie Heatherly	Alderman
Michael Miller	Alderman
Alfred Glenn Smith	Alderman
Chris Stanley	Alderman
Mark Stanley	Alderman
Cheryl Ivey	City Recorder
Johnny Jones	Police Chief
Eddie Hatmaker	Fire Chief
David Muse	Public Works Director
Elizabeth Asbury	City Judge
Nelson Kidd	Building Inspector
Reid Troutman	City Attorney

## **FINANCIAL SECTION**



# BROWN JAKE & McDANIEL, PC

CERTIFIED PUBLIC ACCOUNTANTS  
 2607 KINGSTON PIKE, SUITE 110  
 KNOXVILLE, TENNESSEE 37919-3336  
 865/637-8600 • fax: 865/637-8601

JOE L. BROWN, CPA, CGFM, CGMA  
 FRANK D. McDANIEL, CPA, CGFM, CGMA  
 TERRY L. MOATS, CPA, CGMA  
 JAMES E. BOOHER, CPA, CGMA

MEMBERS  
 AMERICAN INSTITUTE OF  
 CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

Mayor and Board of Aldermen  
 Town of Caryville, Tennessee

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

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the General Fund, State Street Aid Fund, and HOMES Grant Program Fund of the Town of Caryville, Tennessee as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2013 on our consideration of the Town of Caryville, 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 the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 12 and the required supplementary information on page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Caryville, Tennessee's financial statements as a whole. The introductory section and other supplementary information within the financial section are presented for purposes of additional analysis and are not a required part of the financial statements of the Town of Caryville, Tennessee. The other supplementary information, including the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The other supplementary information and the schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has 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 it.

*Brown Lake & McDaniel, PC*

January 4, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Caryville, Tennessee's (the Town) financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Town's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2012 are as follows:

#### **Governmental-Type Activities**

The net assets of the Town increased by \$298,790, a 24 percent increase in total net assets.

General revenues accounted for \$1,044,352 or 69 percent of total revenue. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$465,930 or 31 percent of total revenues of \$1,512,692.

Among major funds, the General Fund had \$1,221,436 in revenues, debt issues and transfers and \$998,987 in expenses and transfers. The fund balance for the General Fund increased by \$222,449 from 2011.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Town as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the Town, presenting both an aggregate view of the Town's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Town's most significant funds with all other Nonmajor funds presented in one column. In the case of the Town, the General Fund is by far the most significant fund, however; the State Street Aid Fund and Homes Grant Program Fund were major funds in the current year.

### **REPORTING THE TOWN AS A WHOLE**

#### **The Statement of Net Assets and the Statement of Activities**

While this document contains the funds used by the Town to provide programs and activities, the view of the Town as a whole looks at all financial transactions and asks the question, "how did we do financially during 2012?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Town as a whole, the financial position of the Town has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the Town's tax base, facility condition, and other factors.

In the *Statement of Net Assets* and the *Statement of Activities*, the Town reports governmental activities. Governmental activities are the activities where most of the Town's programs and services are reported, including, but not limited to, general services, public safety, highways and streets, and recreation.

**REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

Fund financial reports provide detailed information about the Town's major funds. The Town uses several funds to account for a range of financial transactions. However, these fund financial statements focus on the Town's most significant funds. The Town's major governmental fund is the General Fund.

**Governmental Funds**

All of the Town's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending in future periods. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance Town general services. The relationship (or differences) between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

**THE TOWN AS A WHOLE**

The *Statement of Net Assets* provides the perspective of the Town as a whole. Table 1 provides a summary of the Town of Caryville's net assets for 2012 and 2011.

Table 1  
**Net Assets**

<u>ASSETS</u>	Governmental-Type Activities	
	2012	2011
Current and other assets	\$ 502,774	\$ 299,678
Capital assets, net	1,373,412	1,389,565
Total assets	<u>\$ 1,876,186</u>	<u>\$ 1,689,243</u>
<u>LIABILITIES</u>		
Current and other liabilities	\$ 102,719	\$ 190,257
Long-term liabilities	219,633	243,942
Total liabilities	<u>\$ 322,352</u>	<u>\$ 434,199</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	\$ 1,096,027	\$ 1,048,253
Restricted	82,499	76,790
Unrestricted	375,308	130,001
Total net assets	<u>\$ 1,553,834</u>	<u>\$ 1,255,044</u>

Table 2 provides a summary of the Town of Caryville's changes in net assets for 2012 and 2011.

Table 2  
Changes in Net Assets

	Governmental-Type Activities	
	2012	2011
Revenue:		
Program revenue:		
Charges for services	\$ 205,731	\$ 211,376
Operating grants and contributions	74,012	71,408
Capital grants and contributions	186,187	64,927
General revenue:		
Taxes:		
Sales taxes	467,377	388,771
Wholesale beer tax	75,453	58,834
Wholesale liquor tax	202,199	10,880
Income tax	5,655	4,396
Business taxes	28,678	20,588
Room occupancy tax	161,738	160,264
In-lieu of tax	29,087	27,726
Other taxes	31,470	28,828
Interest earned	219	185
Miscellaneous	8,511	12,293
Gain on sale of fixed assets	33,965	16,500
Total revenue	<u>1,510,282</u>	<u>1,076,976</u>
Program expenses:		
General government	425,198	418,531
Public safety	290,530	255,106
Drug enforcement	1,840	15,591
Public works	96,316	87,093
State street aid	1,660	9,804
Sanitation	67,120	65,583
Culture and recreation	117,441	101,455
Housing rehabilitation	186,187	1,313
Industrial development	12,133	11,336
CDBG pass-through grant	-	63,614
Debt service	13,067	12,742
Total program expenses	<u>1,211,492</u>	<u>1,042,168</u>
Increase in net assets	298,790	34,808
Net assets, beginning	<u>1,255,044</u>	<u>1,220,236</u>
Net assets, ending	<u>\$ 1,553,834</u>	<u>\$ 1,255,044</u>

Governmental-Type Activities

	Governmental-Type Activities	
	2012	2011
Revenues:		
Sales taxes	31%	37%
Operating grants and contributions	5%	6%
Charges for services	14%	20%
Wholesale beer tax	5%	5%
Wholesale liquor tax	13%	1%
Room occupancy tax	11%	15%
Other	21%	16%
	<u>100%</u>	<u>100%</u>
Expenses:		
General government	35%	40%
Public safety	24%	25%
Public works	8%	8%
CDBG pass-through grant	0%	6%
Other	33%	21%
	<u>100%</u>	<u>100%</u>

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
General government	\$ 425,198	\$ 424,962	\$ 418,531	\$ 418,332
Public safety	290,530	200,125	255,106	155,710
Drug enforcement	1,840	(5,360)	15,591	9,146
Public works	96,316	96,316	87,093	87,093
State street aid	1,660	(57,475)	9,804	(52,027)
Sanitation	67,120	(48,047)	65,583	(49,330)
Culture and recreation	117,441	109,841	101,455	101,455
Housing rehabilitation	186,187	-	1,313	-
Industrial development	12,133	12,133	11,336	11,336
CDBG pass-through grant	-	-	63,614	-
Debt service	13,067	13,067	12,742	12,742
	<u>\$ 1,211,492</u>	<u>\$ 745,562</u>	<u>\$ 1,042,168</u>	<u>\$ 694,457</u>

**General government** includes activities of the judicial, legislative and executive branches of the Town, as well as financial administration, legal, industrial development, municipal building operations and maintenance, and any other activity not specifically included in a separate program.

**Public safety** includes activities of the police, fire and codes enforcement.

**Drug enforcement** includes specific police activity related to the eradication of illegal drug use, production and distribution.

**Public works** include activities related to the operation and maintenance of roads, streets, sidewalks, alleys, and all related activities.

**State street aid** includes the administration of gas taxes restricted for the maintenance of Town roads, sidewalks, etc.

**Sanitation** includes all the activities of solid waste collection and removal for the Town.

**Culture and recreation** includes all the activities of the parks, community centers and libraries.

**Industrial development** includes the activities of the Industrial Park.

**Housing rehabilitation** includes all the activities related to the Homes Program Grant.

**CDBG pass-through grant** includes all activities related to the CDBG grant pass-through to the Caryville Jacksboro Utilities Commission.

**Debt service** is the activity associated with the payment of the Town's debt.

The dependence upon tax revenue is apparent. All activities supported through taxes and other general revenues amounted to 62 and 67 percent for the fiscal years ended 2012 and 2011. The community as a whole is the primary support for the Town.

#### **THE TOWN'S FUNDS**

Information about the Town's major funds is detailed in the basic financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$1,512,693 and expenditures of \$1,313,203 for the fiscal year 2012.

As the Town completed the current year, all governmental funds had a combined fund balance of \$482,162, an increase of \$222,234 over 2011. This increase is due to the wholesale liquor tax being imposed for its first full year in fiscal year 2012.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town's budget is prepared according to Tennessee law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The General Fund is the most significant budgeted fund.

The Town did amend its budgets at the end of the 2012 fiscal year. The most significant budget amendments in the General Fund were related to grants, salaries, capital outlay, and debt issuances. The State Street Aid and Homes Grant Program Funds had no significant budget amendments.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets - Governmental-Type Activities

At the end of fiscal years 2012 and 2011, the Town had \$1,373,412 and \$1,389,565 invested in land, buildings and improvements, machinery and equipment, and transportation equipment.

Table 4 shows fiscal 2012 and 2011 balances.

Table 4  
**Capital Assets (Net of Depreciation) at June 30**

Governmental-Type Activities		
	2012	2011
Land	\$ 142,684	\$ 145,094
Buildings and improvements	509,678	526,181
Machinery and equipment	206,827	226,154
Office furniture and equipment	11,877	15,534
Transportation equipment	382,517	355,303
Infrastructure	119,829	121,299
	<u>\$ 1,373,412</u>	<u>\$ 1,389,565</u>

Overall capital assets decreased by \$16,153 and \$15,731 in fiscal years 2012 and 2011, respectively; and, depreciation expenses for these years amounted to \$79,065 and \$78,958. Additions for 2012 included a dump truck, computers, and other various police and fire equipment.

At fiscal year end, the Town had no outstanding commitments for capital expenditures.

### Debt Administration - Governmental-Type Activities

The Town's debt includes four capital outlay notes and USDA Rural Development general obligation bonds. The Town charter does not limit the amount of debt that can be issued.

At June 30, 2012 and 2011, the Town had long-term debt totaling \$277,385 and \$341,312, with \$82,107 and \$112,813 due within one year. Interest on debt ranges from 3.75 percent to 5.00 percent.

## CURRENT FINANCIAL ISSUES AND CONCERNS

### Governmental-Type Activities

Local economic factors have improved and have a more favorable impact on the Town. The revenue from state and local income has increased. Since we do not have a property tax, we are challenged to find alternative sources of revenue. One source is the garbage fee, which at \$12 per month is charged to each residence. The Town has also received an increase in revenue each month from the Wholesale Liquor Taxes which are a result of the November 2010 election.



**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Town of Caryville's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact the Town of Caryville, 4839 Old Highway 63, Caryville, Tennessee 37714.

## TOWN OF CARYVILLE, TENNESSEE

## STATEMENT OF NET ASSETS

June 30, 2012

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and cash equivalents	\$ 250,075
Receivables:	
Accounts receivable	50,128
Due from other governments	120,036
Prepaid expenses	800
Total current assets	<u>421,039</u>
Restricted assets:	
Cash and cash equivalents	71,163
Receivables:	
Due from other governments	10,572
Total restricted assets	<u>81,735</u>
Capital assets:	
Land	142,684
Depreciable capital assets	2,429,476
	2,572,160
Less: Accumulated depreciation	<u>(1,198,748)</u>
Total capital assets	<u>1,373,412</u>
Total assets	<u>\$ 1,876,186</u>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable	\$ 8,024
Other	4,922
Deposit on sale of land	-
Long-term liabilities:	
Due within one year	89,773
Total current liabilities	<u>102,719</u>
Long-term liabilities:	
Due within more than one year	219,633
Total long-term liabilities	<u>219,633</u>
Total liabilities	<u>322,352</u>
Net assets:	
Invested in capital assets, net of related debt	1,096,027
Restricted:	
Drug enforcement	16,447
State street aid	66,052
Unrestricted	375,308
Total net assets	<u>1,553,834</u>
Total liabilities and net assets	<u>\$ 1,876,186</u>

See accompanying notes to basic financial statements.

## TOWN OF CARYVILLE, TENNESSEE

## Statement of Activities

For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
General government	\$ 425,198	\$ 236	\$ -	\$ -	\$ (424,962)
Public safety	290,530	83,128	7,277	-	(200,125)
Drug enforcement	1,840	7,200	-	-	5,360
Public works	96,316	-	-	-	(96,316)
State street aid	1,660	-	59,135	-	57,475
Sanitation	67,120	115,167	-	-	48,047
Culture and recreation	117,441	-	7,600	-	(109,841)
Housing rehabilitation	186,187	-	-	186,187	-
Industrial development	12,133	-	-	-	(12,133)
Debt service	13,067	-	-	-	(13,067)
Total governmental activities	<u>\$ 1,211,492</u>	<u>\$ 205,731</u>	<u>\$ 74,012</u>	<u>\$ 186,187</u>	<u>(745,562)</u>
General revenues:					
Taxes:					
					467,377
					75,453
					202,199
					5,655
					28,678
					161,738
					29,087
					31,470
					219
					8,511
					33,965
					<u>1,044,352</u>
					298,790
					<u>1,255,044</u>
					<u>\$ 1,553,834</u>

See accompanying notes to basic financial statements.

TOWN OF CARYVILLE, TENNESSEE  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2012  
(With Comparative Totals for June 30, 2011)

Assets	Governmental Fund Types				Totals	
	General	State Street Aid	Homes Grant Program	Nonmajor	Governmental Funds	
					2012	2011
Cash and cash equivalents	\$ 245,813	\$ -	\$ -	\$ 4,262	\$ 250,075	\$ 80,321
Receivables:						
Accounts receivable	50,128	-	-	-	50,128	40,812
Due from other governments	100,518	-	-	19,518	120,036	99,769
Due from other funds	404	-	-	-	404	404
Prepaid expenses	800	-	-	-	800	800
Restricted assets:						
Cash and cash equivalents	-	55,884	-	15,279	71,163	66,850
Receivables:						
Due from other governments	-	10,572	-	-	10,572	11,126
Due from other funds	-	-	-	1,168	1,168	1,168
<b>Total assets</b>	<b>\$ 397,663</b>	<b>\$ 66,456</b>	<b>\$ -</b>	<b>\$ 40,227</b>	<b>\$ 504,346</b>	<b>\$ 301,250</b>
<b>Liabilities and Fund Equity</b>						
Accounts payable	\$ 8,024	\$ -	\$ -	\$ -	\$ 8,024	\$ 17,420
Compensated absences	7,666	-	-	-	7,666	12,728
Wages payable	4,814	-	-	-	4,814	8,971
Due to other funds	1,168	-	-	-	1,168	1,168
Accrued liabilities	108	-	-	-	108	-
Deposit on sale of land	-	-	-	-	-	36,375
Liabilities payable from restricted assets:						
Accounts payable	-	-	-	-	-	1,950
Due to other funds	-	404	-	-	404	404
<b>Total liabilities</b>	<b>21,780</b>	<b>404</b>	<b>-</b>	<b>-</b>	<b>22,184</b>	<b>79,016</b>
Fund balances:						
Nonspendable:						
Prepaid expenses	800	-	-	-	800	800
Restricted:						
State street aid	-	66,052	-	-	66,052	65,715
Drug enforcement	-	-	-	16,447	16,447	11,075
Committed:						
Sanitation	-	-	-	19,518	19,518	19,176
Assigned:						
Industrial development	-	-	-	4,262	4,262	-
Unassigned	375,083	-	-	-	375,083	125,468
<b>Total fund equity</b>	<b>375,883</b>	<b>66,052</b>	<b>-</b>	<b>40,227</b>	<b>482,162</b>	<b>222,234</b>
<b>Total liabilities and fund equity</b>	<b>\$ 397,663</b>	<b>\$ 66,456</b>	<b>\$ -</b>	<b>\$ 40,227</b>	<b>\$ 504,346</b>	<b>\$ 301,250</b>

See accompanying notes to basic financial statements.

## TOWN OF CARYVILLE, TENNESSEE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2012

<b>Total fund balances--governmental funds</b>		\$ 482,162
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$2,572,160, and the accumulated depreciation is \$1,198,748.		1,373,412
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable	\$ 277,385	
Compensated absences less current portion of \$7,666	24,355	(301,740)
	<hr/>	<hr/>
<b>Total net assets--governmental activities</b>		<b><u><u>\$ 1,553,834</u></u></b>

See accompanying notes to basic financial statements.

## TOWN OF CARYVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2012  
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	Governmental Fund Types				Totals	
	General	State Street Aid	Homes Grant Program	Nonmajor	2012	2011
Revenues:						
Taxes	\$ 805,133	\$ -	\$ -	\$ -	\$ 805,133	\$ 512,074
Permits	3,225	-	-	-	3,225	3,816
Intergovernmental revenues	206,402	59,135	-	-	265,537	324,548
Charges for services	33,337	-	-	115,167	148,504	147,621
Fines and forfeits	46,802	-	-	7,200	54,002	59,939
Other income	13,660	50	186,187	36,395	236,292	28,978
Total revenues	1,108,559	59,185	186,187	158,762	1,512,693	1,076,976
Expenditures:						
General government	415,242	-	-	-	415,242	411,289
Public safety	246,680	-	-	-	246,680	276,068
Public works	138,333	-	-	-	138,333	74,273
Culture and recreation	118,488	-	-	-	118,488	94,961
State street aid	-	58,848	-	-	58,848	64,741
CDBG grant	-	-	-	-	-	63,614
HOMES grant	-	-	186,187	-	186,187	1,313
Industrial development	-	-	-	4,955	4,955	4,158
Drug enforcement	-	-	-	1,840	1,840	15,591
Sanitation	-	-	-	62,386	62,386	60,849
Debt service	80,244	-	-	-	80,244	60,598
Total expenditures	998,987	58,848	186,187	69,181	1,313,203	1,127,455
Revenues over (under) expenditures	109,572	337	-	89,581	199,490	(50,479)
Other financing sources (uses):						
Transfers (to) from other funds	52,439	-	-	(52,439)	-	-
Note proceeds	60,438	-	-	-	60,438	48,000
Total other financing sources (uses)	112,877	-	-	(52,439)	60,438	48,000
Revenues and other financing sources over (under) expenditures and other financing uses	222,449	337	-	37,142	259,928	(2,479)
Fund balance, beginning	153,434	65,715	-	3,085	222,234	224,713
Fund balance, ending	\$ 375,883	\$ 66,052	\$ -	\$ 40,227	\$ 482,162	\$ 222,234

See accompanying notes to basic financial statements.

## TOWN OF CARYVILLE, TENNESSEE

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

For the Fiscal Year Ended June 30, 2012

<b>Total net change in fund balances--governmental funds</b>	\$ 259,928
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense (\$79,065) exceeds capital outlays (\$69,456) in the period.	(9,609)
Loss on sale of assets is reported as an expense on the statement of activities, but not reported on the governmental funds financial statements.	(4,134)
Sale of land is reported as a net gain on the statement of activities, and the gross proceeds are reported in the governmental funds financial statements.	(2,410)
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	124,365
Issuance of debt is a revenue in the governmental funds, but increases long-term liabilities in the statement of net assets.	(60,438)
In the statement of activities, certain operating expenses -- compensated absences (sick pay and vacation) -- are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick leave earned exceeded the amounts used by \$3,850. Also the accrual for amounts due within one year decreased \$5,062.	<u>(8,912)</u>
<b>Changes in net assets of governmental activities</b>	<u><u>\$ 298,790</u></u>

See accompanying notes to basic financial statements.

## TOWN OF CARYVILLE, TENNESSEE

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2012  
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Revenues:				
Taxes:				
Local sales tax	\$ 250,000	\$ 250,000	\$ 311,566	\$ 238,841
Wholesale beer tax	53,500	53,500	74,325	57,656
Wholesale liquor tax	60,000	60,000	202,199	10,880
Business tax	27,000	27,000	28,678	20,588
Cable TV franchise tax	23,000	23,000	24,546	23,845
Franchise tax	-	-	1,019	-
Mixed drink tax	-	888	1,062	-
Room occupancy tax	160,000	160,000	161,738	160,264
Total taxes	<u>573,500</u>	<u>574,388</u>	<u>805,133</u>	<u>512,074</u>
Permits:				
Licenses and permits	1,200	1,200	2,005	2,861
Building permits	900	900	1,220	955
Total permits	<u>2,100</u>	<u>2,100</u>	<u>3,225</u>	<u>3,816</u>
Intergovernmental revenues:				
Housing Authority grant	2,220	2,220	2,205	2,340
Housing Authority payments in lieu of tax	2,100	2,100	2,548	2,315
TVA payments in lieu of taxes	20,000	20,000	26,539	25,411
State law enforcement education	3,000	3,000	2,400	3,000
COPS Grant	32,267	3,390	2,672	4,237
State library grant	1,000	2,600	2,600	-
State sales tax	149,000	149,000	155,811	149,930
State income tax	8,000	8,000	5,655	4,396
State beer tax	800	800	1,128	1,178
Street and transportation	4,850	4,850	4,703	4,846
State telecommunications tax	175	175	141	137
Total intergovernmental revenues	<u>223,412</u>	<u>196,135</u>	<u>206,402</u>	<u>197,790</u>
Charges for services:				
Duplicating services	170	170	236	199
Special fire protection fees	32,400	32,400	33,101	32,509
Total charges for services	<u>32,570</u>	<u>32,570</u>	<u>33,337</u>	<u>32,708</u>
Fines and forfeits:				
Court fines and costs	50,000	50,000	37,231	51,205
Court fines and fees from county courts	-	7,900	7,641	-
Police department litigation	2,500	2,500	1,930	2,289
Total fines and forfeits	<u>52,500</u>	<u>60,400</u>	<u>46,802</u>	<u>53,494</u>
Other income:				
Parks and recreation	-	-	5,000	-
Interest earnings	100	100	149	90

(Continued)



## TOWN OF CARYVILLE, TENNESSEE

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
(Continued)

For the Fiscal Year Ended June 30, 2012  
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Revenues (continued):				
Other income (continued):				
Contributions and donations	\$ -	\$ -	\$ -	\$ -
Miscellaneous income	-	12,602	8,511	12,293
Total other income	100	12,702	13,660	12,383
Total revenues	884,182	878,295	1,108,559	812,265
Expenditures:				
General government:				
Legislative:				
Salaries	13,900	14,000	14,000	11,850
Employee education and training	-	500	500	-
Printing	500	500	470	-
Memberships and registration	2,500	2,500	2,058	1,811
Public relations	500	880	879	587
Telephone	2,580	2,980	2,725	2,627
Legal services	1,000	-	-	7,096
Premiums on surety bonds	2,000	-	-	-
Grants and donations	-	2,000	1,000	1,000
Total legislative	22,980	23,360	21,632	24,971
City court:				
Salaries	3,600	3,600	3,600	3,600
Court costs	7,200	7,200	5,368	6,369
Total city court	10,800	10,800	8,968	9,969
Elections:				
Officials, clerks, etc.	-	-	-	4,500
Total elections	-	-	-	4,500
Financial administration:				
Salaries	59,109	60,119	60,118	52,576
Employee education and training	3,500	3,500	3,126	2,971
Postage, box rent, etc.	800	800	715	734
Printing, stationery, etc.	750	750	513	835
Publication - formal and legal	2,000	2,400	2,340	2,778
Memberships and registration	300	170	170	195
Accounting and auditing	16,000	16,600	16,600	15,777
Data processing services	6,478	5,524	5,524	5,252
Operating supplies	4,000	4,400	4,259	2,877
Premiums on surety bonds	200	100	100	162
Total financial administration	93,137	94,363	93,465	84,157

(Continued)

## TOWN OF CARYVILLE, TENNESSEE

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
(Continued)

For the Fiscal Year Ended June 30, 2012  
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Expenditures (continued):				
General government (continued):				
City attorney:				
Salary	\$ 6,800	\$ 6,800	\$ 6,800	\$ 4,800
Total city attorney	<u>6,800</u>	<u>6,800</u>	<u>6,800</u>	<u>4,800</u>
Planning and zoning:				
Tennessee State Planning Office	-	6,750	6,750	6,750
Memberships, registration fees, etc.	500	-	-	-
Employee auto allowance	3,300	3,300	3,188	3,125
Total planning and zoning	<u>3,800</u>	<u>10,050</u>	<u>9,938</u>	<u>9,875</u>
City hall building:				
Electric	12,200	12,200	11,964	12,658
Water	1,900	2,330	2,220	2,075
Gas	4,600	4,600	3,048	3,470
Telephone	5,000	6,300	5,765	5,547
Repair and maintenance - grounds	8,000	8,000	7,851	1,399
Operating supplies	2,400	2,400	2,368	2,079
Equipment	-	-	-	2,895
Total city hall building	<u>34,100</u>	<u>35,830</u>	<u>33,216</u>	<u>30,123</u>
Fringe benefits:				
Christmas bonus and dinner	1,475	250	250	3,500
OASI	26,068	29,618	29,447	27,123
Hospital and health insurance	149,511	142,174	120,318	124,913
Retirement - employer's share	43,746	35,434	34,505	29,987
Worker's compensation	33,040	33,040	21,394	24,220
Bank service charge	-	8	5	43
Unemployment insurance	3,416	3,441	3,421	1,543
Liability insurance	38,000	38,000	31,883	31,565
Total fringe benefits	<u>295,256</u>	<u>281,965</u>	<u>241,223</u>	<u>242,894</u>
Total general government	<u>466,873</u>	<u>463,168</u>	<u>415,242</u>	<u>411,289</u>
Public safety:				
Police:				
Salaries	173,114	170,509	161,923	158,903
Temporary employees salaries	-	-	-	4,524
Employee education and training	3,000	3,000	2,438	751
Communications and transportation	14,000	3,200	3,200	3,200
Public relations	500	957	956	480
Memberships, registration fees	250	250	250	125
Telephone	3,000	6,500	6,487	3,257
Medical, dental, veterinary, and vital stats	500	1,036	1,036	-
Repair - vehicles	5,000	5,500	3,456	5,478
Repair - other	1,000	3,600	3,452	-

(Continued)

## TOWN OF CARYVILLE, TENNESSEE

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
(Continued)

For the Fiscal Year Ended June 30, 2012  
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Expenditures (continued):				
Public safety (continued):				
Police (continued):				
Travel	\$ 750	\$ -	\$ -	\$ -
Operating supplies	3,000	3,850	3,811	5,929
Clothing and uniforms	3,000	3,000	2,893	818
Gas and oil	15,000	21,750	21,703	16,902
Tires and tubes	1,750	950	930	1,653
Machinery and equipment	2,000	5,825	3,427	47,243
Total police	<u>225,864</u>	<u>229,927</u>	<u>215,962</u>	<u>249,263</u>
Fire protection:				
Volunteer firemen	15,850	14,850	12,100	10,170
Education and training	1,275	275	263	407
Public relations	450	244	244	248
Telephone	1,225	1,650	1,479	1,461
Medical and dental	100	-	-	-
Repair and maintenance - other	3,650	1,150	1,072	4,794
Operating supplies	2,000	4,850	4,838	1,826
Clothing and uniforms	1,600	300	239	576
Gas and oil	2,000	2,750	2,157	2,350
Tires and tubes	600	1,180	1,180	532
Machinery and equipment	950	950	425	425
Total fire protection	<u>29,700</u>	<u>28,199</u>	<u>23,997</u>	<u>22,789</u>
Building inspection:				
Contract services	3,600	3,600	3,600	3,600
Total building inspection	<u>3,600</u>	<u>3,600</u>	<u>3,600</u>	<u>3,600</u>
Codes enforcement:				
Salaries	3,600	3,600	3,121	416
Total codes enforcement	<u>3,600</u>	<u>3,600</u>	<u>3,121</u>	<u>416</u>
Total public safety	<u>262,764</u>	<u>265,326</u>	<u>246,680</u>	<u>276,068</u>
Public works:				
Streets:				
Salaries	54,160	54,160	47,024	26,906
Temporary employees salaries	-	543	543	19,909
Education and training	500	-	-	125
Telephone	480	800	778	447
Medical	-	-	-	134
Repair and maintenance - services	6,000	6,000	5,046	7,531
Operating supplies	8,000	9,250	9,051	6,640
Uniforms	700	865	845	698
Gas and oil	7,000	12,000	10,708	10,414
Tires and tubes	1,500	675	675	331
Metal culverts	1,000	1,525	1,524	230

(Continued)

## TOWN OF CARYVILLE, TENNESSEE

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
(Continued)

For the Fiscal Year Ended June 30, 2012  
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Expenditures (continued):				
Public works (continued):				
Streets (continued):				
Crushed stone	\$ 500	\$ 500	\$ 393	\$ 517
Asphalt	2,000	2,000	1,308	-
Machinery and equipment	-	60,438	60,438	391
Total streets	<u>81,840</u>	<u>148,756</u>	<u>138,333</u>	<u>74,273</u>
Total public works	<u>81,840</u>	<u>148,756</u>	<u>138,333</u>	<u>74,273</u>
Culture and recreation:				
Recreation:				
Electric	7,500	7,500	5,012	8,130
Water	1,200	1,450	1,436	1,718
Repair and maintenance - grounds	500	1,650	1,630	354
Operating supplies	1,000	1,000	844	177
Total recreation	<u>10,200</u>	<u>11,600</u>	<u>8,922</u>	<u>10,379</u>
Libraries:				
Salaries	29,906	30,276	30,272	22,049
Salaries - temporary	8,020	8,020	7,725	3,196
Telephone	600	1,750	1,593	579
Machinery and equipment	3,000	5,170	5,166	-
Operating supplies	3,000	3,400	3,389	1,499
Total libraries	<u>44,526</u>	<u>48,616</u>	<u>48,145</u>	<u>27,323</u>
Tourism:				
Public relations	500	-	-	600
Street lighting	53,000	59,050	58,421	55,659
Repair and maintenance - grounds	500	2,000	1,500	-
Donations	2,000	2,000	1,500	1,000
Total tourism	<u>56,000</u>	<u>63,050</u>	<u>61,421</u>	<u>57,259</u>
Total culture and recreation	<u>110,726</u>	<u>123,266</u>	<u>118,488</u>	<u>94,961</u>
Debt service:				
Retirement of bonds	3,000	3,000	3,000	3,000
Retirement of bank notes	52,871	64,109	64,177	44,856
Interest on bonded debt	953	878	878	1,028
Interest on bank notes	11,039	12,289	12,189	11,714
Total debt service	<u>67,863</u>	<u>80,276</u>	<u>80,244</u>	<u>60,598</u>
Total expenditures	<u>990,066</u>	<u>1,080,792</u>	<u>998,987</u>	<u>917,189</u>
Revenues over (under) expenditures	<u>(105,884)</u>	<u>(202,497)</u>	<u>109,572</u>	<u>(104,924)</u>

(Continued)

## TOWN OF CARYVILLE, TENNESSEE

GENERAL FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 (Continued)

For the Fiscal Year Ended June 30, 2012  
 (With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Other financing sources (uses):				
Transfer from Solid Waste/Sanitation Fund	\$ 50,520	\$ 50,520	\$ 52,439	\$ 54,153
Transfer to Drug Fund	-	-	-	(3,790)
Transfer from Industrial Development Fund	-	-	-	40,000
Note proceeds	-	60,438	60,438	48,000
Total other financing sources (uses)	<u>50,520</u>	<u>110,958</u>	<u>112,877</u>	<u>138,363</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(55,364)	(91,539)	222,449	33,439
Fund balance, beginning	<u>153,434</u>	<u>153,434</u>	<u>153,434</u>	<u>119,995</u>
Fund balance, ending	<u>\$ 98,070</u>	<u>\$ 61,895</u>	<u>\$ 375,883</u>	<u>\$ 153,434</u>

See accompanying notes to basic financial statements.

## TOWN OF CARYVILLE, TENNESSEE

STATE STREET AID FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2012  
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Revenues:				
State gasoline and motor fuel tax	\$ 55,000	\$ 55,000	\$ 59,135	\$ 61,831
Interest earnings	70	70	50	67
Total revenues	<u>55,070</u>	<u>55,070</u>	<u>59,185</u>	<u>61,898</u>
Expenditures:				
Sign parts and supplies	2,000	500	276	1,171
Crushed stone	-	-	-	343
Machinery and equipment	-	-	-	4,655
Debt service:				
Retirement of bank notes	57,126	57,126	57,188	54,937
Interest on notes	1,446	1,446	1,384	3,635
Total expenditures	<u>60,572</u>	<u>59,072</u>	<u>58,848</u>	<u>64,741</u>
Revenues over (under) expenditures	(5,502)	(4,002)	337	(2,843)
Fund balance, beginning	<u>65,715</u>	<u>65,715</u>	<u>65,715</u>	<u>68,558</u>
Fund balance, ending	<u>\$ 60,213</u>	<u>\$ 61,713</u>	<u>\$ 66,052</u>	<u>\$ 65,715</u>

See accompanying notes to basic financial statements.

## TOWN OF CARYVILLE, TENNESSEE

HOMES GRANT PROGRAM  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2012  
 (With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Revenues:				
State grants	<u>\$ 186,187</u>	<u>\$ 186,187</u>	<u>\$ 186,187</u>	<u>\$ 1,313</u>
Total revenues	<u>186,187</u>	<u>186,187</u>	<u>186,187</u>	<u>1,313</u>
Expenditures:				
Contractual services	<u>186,187</u>	<u>186,187</u>	<u>186,187</u>	<u>1,313</u>
Total expenditures	<u>186,187</u>	<u>186,187</u>	<u>186,187</u>	<u>1,313</u>
Revenues over (under) expenditures	-	-	-	-
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to basic financial statements.

TOWN OF CARYVILLE, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

(1) Summary of Significant Accounting Policies

(a) General Statement

The accounting and reporting policies of the Town of Caryville, Tennessee (the Town) relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America that are applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the Town are described below.

(b) Reporting Entity

The financial statements consist of all the funds of the Town of Caryville, Tennessee.

(c) Basis of Presentation

The Town follows provisions of Governmental Accounting Standards Board for external financial reporting, which includes a statement of net assets and a statement of activities. These standards require the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. The classifications are defined as follows:

- *Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- *Restricted* - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.



TOWN OF CARYVILLE, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(c) Basis of Presentation (Continued)

- *Unrestricted net assets* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements:**

The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities.

Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

**2. Fund Financial Statements:**

During the year, the Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

TOWN OF CARYVILLE, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(d) Fund Accounting

The Town uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

**Governmental Funds:**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Town's governmental type funds:

General Fund - The General Fund is the operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

State Street Aid - The State Street Aid Fund is used to account for and administer the proceeds from gas taxes collected, which are restricted for the maintenance of Town roads, sidewalks, etc.

Industrial Development Fund - The Industrial Development Fund is used to administer all activities related to the Industrial Park.

CDBG Grant Fund - The CDBG Grant Fund is used to account for all activities related to pass-through grant funding for the Caryville-Jacksboro Utilities Commission.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for construction and renovation of various capital outlay projects.

The General Fund typically had been used to liquidate other long-term liabilities in prior years.

TOWN OF CARYVILLE, TENNESSEE  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 (Continued)

(1) Summary of Significant Accounting Policies (Continued)

(e) Measurement Focus

**1. Government-Wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included on the statement of net assets.

**2. Fund Financial Statements:**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

(f) Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**1. Revenues - Exchange and Nonexchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the Town receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is

TOWN OF CARYVILLE, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(f) Basis of Accounting (Continued)

1. **Revenues - Exchange and Nonexchange Transactions (Continued):**

recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes, franchise taxes, special assessments, licenses, charges for services, interest income and intergovernmental revenue.

2. **Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

3. **Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

## TOWN OF CARYVILLE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)(1) Summary of Significant Accounting Policies (Continued)(g) Fund Balances

The Town follows GASB Statement 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 balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Non-spendable, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, donors, grantors, or through enabling legislation,

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a resolution of the Board (the Town's highest level of decision making authority),

Assigned fund balance classification is intended to be used by the government for specific purposes but does not meet the criteria to be classified as restricted or committed. The Town gives the Board of Alderman the authority to assign fund balance, and

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

If the Town has an expenditure that is incurred for purposes of multiple account classification, the Town's policy is to apply the expenditures in the following order: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified.

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

(h) Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. When expenditures are

## TOWN OF CARYVILLE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)(1) Summary of Significant Accounting Policies (Continued)(h) Restricted and Unrestricted Resources (Continued)

incurred with unrestricted resources, the Town uses the Governmental Accounting Standards Board's policy. Committed amounts are used first, followed by assigned amounts, and then unassigned amounts.

(i) Budgetary Procedures and Budgetary Accounting

Prior to the beginning of the fiscal year, the Town Board of Mayor and Aldermen prepares and approves an operating budget for all governmental funds and holds hearings. All supplemental appropriations must also be approved by the Town Board of Mayor and Aldermen. Actual expenditures and operating transfers out may not legally exceed "budget" appropriations at the individual fund level. Budgetary control, however, is maintained at the departmental level. During the year ended June 30, 2012, the Town did not over expend its legally adopted budget.

Appropriations lapse at the close of the fiscal year to the extent that they have not been transferred or encumbered.

The Town prepares its budget on a basis of accounting that differs from accounting principles generally accepted in the United States of America (GAAP). The major difference between the budgetary basis of accounting and GAAP is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a classification of fund balance (GAAP). At June 30, 2012, there were no encumbrances.

Budgeted amounts are as originally adopted or as amended by the Town Board of Mayor and Aldermen.

(j) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds. Open encumbrances at year-end are reported within the appropriate fund balance categories for the specific purposes of the encumbrance or assigned if not previously restricted or committed for a specific purpose. Encumbrances do not constitute expenditures or liabilities.

(k) Capitalization of Interest

The Town capitalizes net interest costs and interest earned as part of the cost of constructing various fixed assets when material. There was no capitalized interest for the year ended June 30, 2012.

(l) Cash Equivalents

For purposes of these financial statements, the Town considers all highly liquid investments (including restricted assets) having original maturity dates of three months or less when purchased to be cash equivalents.

## TOWN OF CARYVILLE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)(1) Summary of Significant Accounting Policies (Continued)(m) Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds.

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Short-term amounts owed between funds are classified as "Due to/from other funds." Interfund loans are classified as "Interfund notes receivable/payable."

(n) Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. All capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their estimated fair market values as of the date received. Net interest costs during construction periods are capitalized for assets acquired by the issuance of long-term debt. Major additions and improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged to operations.

The Town maintains a capitalization threshold of three hundred dollars.

All reported capital assets except for land and land improvements are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Buildings and improvements	15 - 40 years
Machinery and equipment	5 - 25 years
Office furniture and equipment	5 - 10 years
Transportation equipment	5 - 40 years
Infrastructure	70 years

## TOWN OF CARYVILLE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)(1) Summary of Significant Accounting Policies (Continued)(n) Capital Assets (Continued)

General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements. General infrastructure assets include all roads, bridges, sidewalks, and other infrastructure assets acquired subsequent to July 1, 2003.

(o) Compensated Absences

Compensated absences are reported in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means. The Town records a liability for accumulated unused vacation time when earned for all employees.

The entire compensated absences liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

All permanent full-time employees receive eight hours of sick leave for each completed month of service. It may be accumulated indefinitely. A maximum of 240 hours of sick leave is paid upon termination. An employee at the time of retirement will receive at his/her regular rate of pay, compensation for sick leave accrued.

All permanent employees who have been employed continuously for a period of one year or longer are entitled to vacation leave in accordance with the following schedule of forty-hour weeks:

<u>Completed Service</u>	<u>Annual Vacation Credit</u>
1 - 5 years	80 hours / 5 days
6 - 10 years	120 hours / 10 days
11 years and over	160 hours / 15 days

Employees leaving the Town's employment for any reason will receive any vacation as earned as of the last day of employment.



TOWN OF CARYVILLE, TENNESSEE  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 (Continued)

(1) Summary of Significant Accounting Policies (Continued)

(o) Compensated Absences (Continued)

The cost of vacation leave is recorded when earned. At June 30, 2012, a liability of \$7,666 has been recorded in the general fund to represent the current portion of accrued vacation and sick leave. Also, at June 30, 2012, a liability of \$32,021 has been recorded in the government-wide statements to represent the complete accrual of vacation and sick leave.

(p) Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

(q) Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

(r) Debt Premiums, Discounts and Issuance Costs

Bonds payable are reported net of any applicable bond premium or discount. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

(s) Use of Estimates

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

(t) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

TOWN OF CARYVILLE, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(u) Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Town and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

(v) Totals

Certain funds are determined to be major or nonmajor on an annual basis. The total columns for the nonmajor combining financial statements for the prior year include all the funds for the prior year that were nonmajor, even if that fund is not included in the current year financial statements due to lack of activity or if it was determined to be a major fund.

(2) Cash, Cash Equivalents and Investments

At June 30, 2012, cash and cash equivalents consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash in bank	\$ 250,075	\$ 71,163	\$ 321,238

All of the Town's deposits were either insured by federal depository insurance or by bank participation in the Tennessee Bank Collateral Pool. Investment policies of the Town follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government.

The interest rates on these accounts were 0.00% to 0.08% at June 30, 2012.

(3) Capital Assets

Governmental capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 145,094	\$ -	\$ (2,410)	\$ 142,684
Capital assets, being depreciated:				
Buildings and improvements	682,826	-	-	682,826
Machinery and equipment	703,857	9,018	(1,500)	711,375
Office furniture and equipment	58,424	-	-	58,424
Transportation equipment	812,074	60,438	(24,311)	848,201
Infrastructure	128,650	-	-	128,650
Total capital assets, being depreciated	2,385,831	69,456	(25,811)	2,429,476

TOWN OF CARYVILLE, TENNESSEE  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 (Continued)

(3) Capital Assets (Continued)

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
<u>Governmental Activities (Continued)</u>				
Less accumulated depreciation for:				
Buildings and improvements	\$ (156,645)	\$ (16,503)	\$ -	\$ (173,148)
Machinery and equipment	(477,703)	(28,045)	1,200	(504,548)
Office furniture and equipment	(42,890)	(3,657)	-	(46,547)
Transportation equipment	(456,771)	(29,390)	20,477	(465,684)
Infrastructure	(7,351)	(1,470)	-	(8,821)
	<u>(1,141,360)</u>	<u>(79,065)</u>	<u>21,677</u>	<u>(1,198,748)</u>
Total accumulated depreciation				
Capital assets, being depreciated, net	<u>1,244,471</u>	<u>(9,609)</u>	<u>(4,134)</u>	<u>1,230,728</u>
Governmental activities capital assets, net	<u>\$ 1,389,565</u>	<u>\$ (9,609)</u>	<u>\$ (6,544)</u>	<u>\$ 1,373,412</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 9,956
Public safety	34,658
Streets	18,421
Sanitation	4,734
Culture and recreation	4,118
Industrial development	7,178
	<u>79,065</u>
Total depreciation expense	<u>\$ 79,065</u>

(4) Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Retirements/ Refunded	Balance June 30, 2012	Amounts Due Within One Year
<u>General Obligation Bonds</u>					
General Obligation					
USDA Rural Development	\$ 19,054	\$ -	\$ 3,000	\$ 16,054	\$ 3,000

TOWN OF CARYVILLE, TENNESSEE  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 (Continued)

(4) Long-Term Liabilities (Continued)

	Balance July 1, 2011	Additions	Retirements/ Refunded	Balance June 30, 2012	Amounts Due Within One Year
<u>Capital Outlay Notes</u>					
State Street Aid					
Capital Outlay Note	\$ 61,036	\$ -	\$ 57,188	\$ 3,848	\$ 3,848
Fire Department					
Capital Outlay Note	84,469	-	23,932	60,537	25,137
Interstate Street Lighting					
Capital Outlay Note	129,942	-	13,527	116,415	14,222
Street Department					
Capital Outlay Note	-	60,438	11,252	49,186	19,825
Police Department					
Capital Outlay Note	46,811	-	15,466	31,345	16,075
Total Capital Outlay Notes	322,258	60,438	121,365	261,331	79,107
<u>Accrued Compensated Absences</u>	28,171	33,225	29,375	32,021	7,666
Total Long-Term Liabilities	\$ 369,483	\$ 93,663	\$ 153,740	\$ 309,406	\$ 89,773

Notes payable at June 30, 2012 consist of the following:

USDA Rural Development General Obligation Bond, dated 1979. Annual principal amounts range from \$3,000 to \$4,000. Interest is due semi-annually on January 1st and July 1st. Bond matures in 2017 and bears an interest rate of 5.00%. Amount of original bond was \$75,000.

\$ 16,054

State Street Aid - Capital Outlay Note, original issue of \$400,075 at 3.96%. Monthly payments of principal and interest of \$4,881. Note matures July 1, 2012.

3,848

TOWN OF CARYVILLE, TENNESSEE  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 (Continued)

(4) Long-Term Liabilities (Continued)

Notes payable at June 30, 2012 (continued):

Fire Department Equipment - Capital Outlay Note, original issue of \$248,629 at 4.98%. Monthly payments of principal and interest of \$2,299. Note matures October 6, 2015.	\$ 60,537
Interstate Street Lighting - Capital Outlay Note, original issue of \$177,000 at 4.65%. Monthly payments of principal and interest of \$1,612. Note matures June 15, 2019.	116,415
Street Department Dump Truck - Capital Outlay Note, original issue of \$60,438 at 3.75%. Monthly payments of principal and interest of \$1,779. Note matures October 10, 2014.	49,186
Police Department - Two Crown Victorias - Capital Outlay Note, original issue of \$48,000 at 3.75%. Monthly payments of principal and interest of \$1,490. Note matures May 1, 2014.	<u>31,345</u>
Total long-term debt	<u><u>\$ 277,385</u></u>

Principal and Interest Requirements

The annual requirements to amortize long-term liabilities as of June 30, 2012 are as follows:

Fiscal Year June 30,	General Long-Term Debt		Total
	Principal	Interest	
2013	\$ 82,107	\$ 10,823	\$ 92,930
2014	80,186	7,311	87,497
2015	36,378	4,402	40,780
2016	20,371	3,329	23,700
2017	20,221	2,333	22,554
2018-2019	38,122	1,839	39,961
	<u>\$ 277,385</u>	<u>\$ 30,037</u>	<u>\$ 307,422</u>

TOWN OF CARYVILLE, TENNESSEE  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 (Continued)

(5) Due From Other Governments

Amounts due from other governments at June 30, 2012 consist of the following:

Campbell County	Local Sales Tax	\$ 59,970
State of Tennessee	Sales Tax	27,237
State of Tennessee	City Streets and Transportation	785
State of Tennessee	Income Tax	5,655
State of Tennessee	Business Tax	1,288
State of Tennessee	Gasoline and Motor Fuel Tax	10,572
Caryville-Jacksboro Utility Commission	Special Fire Protection Fees	5,583
Caryville-Jacksboro Utility Commission	Garbage Fees	19,518
		\$ 130,608

(6) Pension Plan

***Plan Description***

Employees of the Town of Caryville are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Town of Caryville participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

TOWN OF CARYVILLE, TENNESSEE  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 (Continued)

(6) Pension Plan (Continued)

**Funding Policy**

The Town of Caryville requires employees to contribute 5.0 percent of earnable compensation.

The Town of Caryville is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012 was 10.68 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Town of Caryville is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ended June 30, 2012, the Town of Caryville's annual pension cost of \$34,505 to TCRS was equal to the Town of Caryville's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The Town of Caryville's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 7 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$ 34,505	100.00%	\$0
6/30/11	\$ 33,428	100.00%	\$0
6/30/10	\$ 30,043	100.00%	\$0
6/30/09	\$ 42,362	100.00%	\$0
6/30/08	\$ 48,629	100.00%	\$0
6/30/07	\$ 41,401	100.00%	\$0
6/30/06	\$ 44,206	100.00%	\$0
6/30/05	\$ 43,199	100.00%	\$0
6/30/04	\$ 39,463	100.00%	\$0
6/30/03	\$ 40,010	100.00%	\$0

## TOWN OF CARYVILLE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)(6) Pension Plan (Continued)***Funded Status and Funding Progress***

As of July 1, 2011, the most recent actuarial valuation date, the Plan was 91.63 percent funded. The actuarial accrued liability for benefits was \$0.96 million, and the actuarial value of assets was \$0.88 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.08 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$0.29 million, and the ration of the UAAL to the covered payroll was 28.10 percent.

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
July 1, 2011	\$882	\$962	\$81	91.63%	\$287	28.10%
July 1, 2009	\$734	\$815	\$81	90.04%	\$334	24.35%
July 1, 2007	\$635	\$733	\$98	86.63%	\$319	30.72%

(7) Hotel/Motel Tax

The Town of Caryville levies a 5% hotel/motel tax (also referred to as "room occupancy tax"). The tax is collected from room occupants by the motels and paid to the Town each month. Under the enabling act, one-fourth of the tax is to be used exclusively for promotion of tourism. During the year ended June 30, 2012, the Town collected \$161,738 in hotel/motel taxes. Net expenditures considered to be for promotion of tourism during the year amounted to \$61,421. Because expenditures were in excess of the beginning balance plus the twenty-five percent set-aside from current revenues, the General Fund balance sheet as of June 30, 2012 shows \$ - 0 - restricted for tourism, computed as follows:



TOWN OF CARYVILLE, TENNESSEE  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 (Continued)

(7) Hotel/Motel Tax (Continued)

Reserved for tourism, July 1, 2011		\$ -
Addition (reduction) for the year ended June 30, 2012:		
Tax collected	\$ 161,738	
Percent for tourism	x25%	
Reserved for tourism	40,435	
Less: Expenditures (limited)	40,435	-
Reserved for tourism, June 30, 2012		\$ -

(8) Joint Venture

The Town is a member of the Caryville - Jacksboro Utilities Commission joint venture. The Town appoints one member of the joint venture's governing board. Approval of the joint venture's budget by the Town is not required. Financial information of the joint venture obtained from audited financial statements is as follows at June 30, 2012:

Total Assets		\$ 28,211,072
Total Liabilities		9,907,480
Total Equity		18,303,592
Total Revenues and Capital Contributions		3,982,697
Total Expenditures		3,656,031
Increase in Net Assets		326,666
Total Joint Venture Outstanding Debt		9,179,953

The Town has pledged its full faith and credit for the Caryville - Jacksboro Utilities Commission Bonds - Series 2010 and 2012. These bonds are payable from the net revenues of the water and sewer system. In the event such revenues are insufficient, bonds shall be payable from ad valorem taxes to be levied on all taxable property within the corporate limits of the municipalities without limitation as to time, rate or amount. At June 30, 2012, the Town also had a contingent liability in the amount of \$923,575 on bonds and notes payable to the Tennessee Local Development Authority. The aforementioned bonds are more fully described in Note 9 pertaining to contingencies.

The Town has not invested any funds in the joint venture since inception and has only a residual equity interest. Because the Town is not an investee in the joint venture, the equity method is not considered appropriate.

The Caryville-Jacksboro Utility Commission issues a publicly available financial report that includes the financial statements. That report may be obtained by contacting Frank Wallace.

TOWN OF CARYVILLE, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

(9) Contingencies

The Town of Jacksboro, Tennessee and the Town of Caryville, Tennessee have incurred certain contingent liabilities related to the Caryville - Jacksboro Utilities Commission, a joint venture described in Note 8, as follows:

On April 15, 2010, the Jacksboro - Caryville Water and Sewer Revenue Refunding and Improvement Bond, Series 2010, was issued in the amount of \$4,805,000 with an additional premium received on the bonds of \$151,022 (which will be amortized over the life of the bonds and reduce interest expense annually). The bond is in the form of a fully registered installment and is the joint and several obligations of the municipalities of Caryville and Jacksboro. The bond is additionally collateralized by a pledge of the net revenues to be derived from the operation of the Water and Sewer System, subject to prior lien bonds and in the event such revenues are insufficient therefore, the bond shall be payable from ad valorem taxes to be levied on all taxable property within the corporate limits of the municipalities. The bond principal balance as of June 30, 2012 was \$4,515,012.

On June 21, 2012, the Jacksboro - Caryville Water and Sewer Revenue Refunding and Improvement Bond, Series 2012, was issued in the amount of \$3,500,000 with an additional premium received on the bonds of \$136,666 (which will be amortized over the life of the bonds and reduce interest expense annually). The bond is in the form of a fully registered installment and is the joint and several obligations of the municipalities of Caryville and Jacksboro. The bond is additionally collateralized by a pledge of the net revenues to be derived from the operation of the Water and Sewer System, subject to prior lien bonds and in the event such revenues are insufficient therefore, the bond shall be payable from ad valorem taxes to be levied on all taxable property within the corporate limits of the municipalities. The bond principal balance as of June 30, 2012 was \$3,500,000.

(10) Litigation

From time to time, there are claims pending against the Town of Caryville; however, the Town vigorously defends these matters.

(11) Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases commercial insurance for all of these risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

TOWN OF CARYVILLE, TENNESSEE  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 (Continued)

(12) Operating Transfers

Operating transfers for the year ended June 30, 2012 are as follows:

	Transfers from:
Transfers to:	Solid Waste/ Sanitation Fund
General Fund	\$ 52,439
	\$ 52,439

The purpose of the transfer from the Sanitation Fund to the General Fund was to move excess cash to the General Fund.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## TOWN OF CARYVILLE, TENNESSEE

## SCHEDULE OF FUNDING PROGRESS

June 30, 2012

SCHEDULE OF FUNDING PROGRESS FOR THE TOWN OF CARYVILLE'S PENSION PLAN

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b - a)/c</u>
July 01, 2011	\$882	\$962	\$81	91.63%	\$287	28.10%
July 01, 2009	\$734	\$815	\$81	90.04%	\$334	24.35%
July 01, 2007	\$635	\$733	\$98	86.63%	\$319	30.72%

See independent auditor's report.

## **OTHER SUPPLEMENTARY INFORMATION**

TOWN OF CARYVILLE, TENNESSEE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Fiscal Year Ended June 30, 2012

Name of Grant	Grantor Agency	Program Identification or Contract Number	CFDA Number	Balance July 1, 2011		Receipts	Expenditures (Grantor Portion)	Balance June 30, 2012	
				Receivable	Unexpended			Receivable	Unexpended
<b>FEDERAL AWARDS:</b>									
2010 Homes Grant Program	Tennessee Housing Development Agency	HM-10-09	14.239	\$ -	\$ -	\$ 186,187	\$ 186,187	\$ -	\$ -
<b>Total Federal Awards</b>				-	-	186,187	186,187	-	-
<b>STATE AWARDS:</b>									
Library Technology Grant	Economic and Community Development	N/A	N/A	-	-	2,600	2,600	-	-
Highway Safety Grant	Tennessee Department of Transportation	N/A	N/A	-	-	1,677	1,677	-	-
<b>Total State Awards</b>				-	-	4,277	4,277	-	-
<b>Total Federal and State Awards</b>				\$ -	\$ -	\$ 190,464	\$ 190,464	\$ -	\$ -

See independent auditor's report.

## TOWN OF CARYVILLE, TENNESSEE

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2012

	Drug Enforcement Fund	Industrial Development Fund	Sanitation Fund	Total Nonmajor Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ 4,262	\$ -	\$ 4,262
Due from other governments	-	-	19,518	19,518
Due from other funds	-	-	-	-
Restricted assets:				
Cash and cash equivalents	15,279	-	-	15,279
Due from other funds	1,168	-	-	1,168
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 16,447	\$ 4,262	\$ 19,518	\$ 40,227
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Liabilities and Fund Balances</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances:				
Restricted	16,447	-	-	16,447
Committed	-	-	19,518	19,518
Assigned	-	4,262	-	4,262
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	16,447	4,262	19,518	40,227
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 16,447	\$ 4,262	\$ 19,518	\$ 40,227
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See independent auditor's report.



## TOWN OF CARYVILLE, TENNESSEE

## NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2012  
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	Drug Enforcement Fund			
	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Revenues:				
City court revenues	\$ 6,000	\$ 6,000	\$ 7,200	\$ 6,445
Miscellaneous refunds	-	192	-	-
Interest earnings	10	10	12	14
Total revenues	<u>6,010</u>	<u>6,202</u>	<u>7,212</u>	<u>6,459</u>
Expenditures:				
Employee education and training	-	1,000	1,000	1,332
Public relations	-	740	740	909
Operating supplies	-	-	-	3,440
Special investigation	-	100	100	100
Machinery and equipment	-	-	-	9,810
Total expenditures	<u>-</u>	<u>1,840</u>	<u>1,840</u>	<u>15,591</u>
Revenues over (under) expenditures	<u>6,010</u>	<u>4,362</u>	<u>5,372</u>	<u>(9,132)</u>
Other financing sources (uses):				
Transfers from General Fund	-	-	-	3,790
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,790</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>6,010</u>	<u>4,362</u>	<u>5,372</u>	<u>(5,342)</u>
Fund balance, beginning	<u>11,075</u>	<u>11,075</u>	<u>11,075</u>	<u>16,417</u>
Fund balance, ending	<u>\$ 17,085</u>	<u>\$ 15,437</u>	<u>\$ 16,447</u>	<u>\$ 11,075</u>

(Continued)

## TOWN OF CARYVILLE, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 (Continued)

For the Fiscal Year Ended June 30, 2012  
 (With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	CDBG Grant Fund			
	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Revenues:				
Federal grant	\$ -	\$ -	\$ -	\$ 63,614
Total revenues	-	-	-	63,614
Expenditures:				
CDBG pass-through grant	-	-	-	63,614
Total expenditures	-	-	-	63,614
Revenues over (under) expenditures	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

(Continued)

TOWN OF CARYVILLE, TENNESSEE  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
(Continued)

For the Fiscal Year Ended June 30, 2012  
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	Industrial Development Fund			
	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Revenues:				
Interest earnings	\$ 25	\$ 25	\$ 8	\$ 14
Sale of land	-	-	36,375	16,500
Total revenues	<u>25</u>	<u>25</u>	<u>36,383</u>	<u>16,514</u>
Expenditures:				
Membership and registration	2,400	2,400	2,340	2,340
Electric	2,000	3,200	2,615	1,818
Total expenditures	<u>4,400</u>	<u>5,600</u>	<u>4,955</u>	<u>4,158</u>
Revenues over (under) expenditures	<u>(4,375)</u>	<u>(5,575)</u>	<u>31,428</u>	<u>12,356</u>
Other financing sources (uses):				
Transfers to General Fund	-	-	-	(40,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(4,375)</u>	<u>(5,575)</u>	<u>31,428</u>	<u>(27,644)</u>
Fund balance (deficit), beginning	<u>(27,166)</u>	<u>(27,166)</u>	<u>(27,166)</u>	<u>478</u>
Fund balance (deficit), ending	<u>\$ (31,541)</u>	<u>\$ (32,741)</u>	<u>\$ 4,262</u>	<u>\$ (27,166)</u>

(Continued)

## TOWN OF CARYVILLE, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 (Continued)

For the Fiscal Year Ended June 30, 2012  
 (With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	Sanitation Fund			
	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
Revenues:				
Charges for services	\$ 120,000	\$ 64,530	\$ 115,167	\$ 114,913
Total revenues	<u>120,000</u>	<u>64,530</u>	<u>115,167</u>	<u>114,913</u>
Expenditures:				
Salary	57,280	57,280	45,318	36,610
Salary - temporary employee	-	6,650	6,631	18,495
Repair and maintenance	2,000	2,000	1,751	316
Operating supplies	2,000	2,000	1,773	108
Clothing and uniforms	700	700	507	698
Gas and oil	6,500	6,500	5,780	4,593
Tires and tubes	1,000	750	626	29
Total expenditures	<u>69,480</u>	<u>75,880</u>	<u>62,386</u>	<u>60,849</u>
Revenues over (under) expenditures	<u>50,520</u>	<u>(11,350)</u>	<u>52,781</u>	<u>54,064</u>
Other financing sources (uses):				
Transfers to General Fund	-	-	(52,439)	(54,153)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(52,439)</u>	<u>(54,153)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	50,520	(11,350)	342	(89)
Fund balance, beginning	<u>19,176</u>	<u>19,176</u>	<u>19,176</u>	<u>19,265</u>
Fund balance, ending	<u>\$ 69,696</u>	<u>\$ 7,826</u>	<u>\$ 19,518</u>	<u>\$ 19,176</u>

(Continued)

TOWN OF CARYVILLE, TENNESSEE  
 NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 (Continued)

For the Fiscal Year Ended June 30, 2012  
 (With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	Total Nonmajor Governmental Funds			
	2012 Original Budget	2012 Final Budget	2012 Actual	2011 Actual
<b>Revenues:</b>				
City court revenues	\$ 6,000	\$ 6,000	\$ 7,200	\$ 6,445
Interest earnings	35	35	20	14
State grant	-	-	-	1,313
Federal grant	-	-	-	63,614
Miscellaneous refunds	-	192	-	-
Sale of land	-	-	36,375	-
Charges for services	120,000	64,530	115,167	-
<b>Total revenues</b>	<b>126,035</b>	<b>70,757</b>	<b>158,762</b>	<b>71,386</b>
<b>Expenditures:</b>				
Contracted services	-	1,000	-	1,313
Public relations	-	740	740	909
Operating supplies	2,000	2,000	1,773	3,440
Special investigation	-	100	100	100
Machinery and equipment	-	-	-	9,810
Employee education and training	-	1,000	1,000	1,332
Salary	57,280	57,280	45,318	-
Salary - temporary employee	-	6,650	6,631	-
Repair and maintenance	2,000	2,000	1,751	-
Clothing and uniforms	700	700	507	-
Gas and oil	6,500	6,500	5,780	-
Tires and tubes	1,000	750	626	-
Membership and registration	2,400	2,400	2,340	-
Electric	2,000	3,200	2,615	-
CDBG pass-through grant	-	-	-	63,614
<b>Total expenditures</b>	<b>73,880</b>	<b>83,320</b>	<b>69,181</b>	<b>80,518</b>
<b>Revenues over (under) expenditures</b>	<b>52,155</b>	<b>(12,563)</b>	<b>89,581</b>	<b>(9,132)</b>
<b>Other financing sources (uses):</b>				
Transfers from General Fund	-	-	(52,439)	3,790
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(52,439)</b>	<b>3,790</b>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>52,155</b>	<b>(12,563)</b>	<b>37,142</b>	<b>(5,342)</b>
Fund balance, beginning	3,085	3,085	3,085	16,417
Fund balance, ending	<u>\$ 55,240</u>	<u>\$ (9,478)</u>	<u>\$ 40,227</u>	<u>\$ 11,075</u>

See independent auditor's report.

TOWN OF CARYVILLE, TENNESSEE  
 SCHEDULE OF LONG-TERM DEBT  
 PRINCIPAL AND INTEREST REQUIREMENTS BY ISSUE

GOVERNMENTAL-TYPE ACTIVITIES

June 30, 2012

Fiscal Year June 30,	1979 General Obligation Bond		2002 Fire Department Capital Outlay Note		2004 State Street Aid Capital Outlay Note		2007 Street Department Capital Outlay Note		2011 Street Department Capital Outlay Note		2011 Police Department Capital Outlay Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2013	\$ 3,000	\$ 803	\$ 25,137	\$ 2,451	\$ 3,848	\$ 16	\$ 14,222	\$ 5,125	\$ 19,825	\$ 1,529	\$ 16,075	\$ 899	\$ 82,107
2014	3,000	653	26,417	1,171	-	-	14,907	4,439	20,592	762	15,270	286	80,186	7,311
2015	3,000	503	8,983	94	-	-	15,626	3,721	8,769	84	-	-	36,378	4,402
2016	4,000	353	-	-	-	-	16,371	2,976	-	-	-	-	20,371	3,329
2017	3,054	153	-	-	-	-	17,167	2,180	-	-	-	-	20,221	2,333
2018	-	-	-	-	-	-	19,533	1,426	-	-	-	-	19,533	1,426
2019	-	-	-	-	-	-	18,589	413	-	-	-	-	18,589	413
	<u>\$ 16,054</u>	<u>\$ 2,465</u>	<u>\$ 60,537</u>	<u>\$ 3,716</u>	<u>\$ 3,848</u>	<u>\$ 16</u>	<u>\$ 116,415</u>	<u>\$ 20,280</u>	<u>\$ 49,186</u>	<u>\$ 2,375</u>	<u>\$ 31,345</u>	<u>\$ 1,185</u>	<u>\$ 277,385</u>	<u>\$ 30,037</u>

See independent auditor's report.

## TOWN OF CARYVILLE, TENNESSEE

## SCHEDULE OF INSURANCE IN FORCE AND BONDS ON PRINCIPAL OFFICIALS

June 30, 2012

Property coverage -	
Includes buildings, contents and equipment	\$2,299,564
Bonds -	
Recorder	25,000
Mayor	25,000
Notary	10,000
Workers' compensation	Statutory
General liability, automobile liability and police professional coverage -	
Bodily injury - per person	300,000
Bodily injury - per occurrence	700,000
Property damage - per occurrence	100,000
Public officials errors and omissions (\$1,000 deductible)	1,000,000
Automobile liability coverage -	
Bodily injury - per person	300,000
Bodily injury - per occurrence	700,000
Property damage - per occurrence	100,000

See independent auditor's report.





## **INTERNAL CONTROL AND COMPLIANCE SECTION**

**BROWN JAKE & McDANIEL, PC**

**CERTIFIED PUBLIC ACCOUNTANTS**  
**2607 KINGSTON PIKE, SUITE 110**  
**KNOXVILLE, TENNESSEE 37919-3336**  
**865/637-8600 • fax: 865/637-8601**

JOE L. BROWN, CPA, CGFM, CGMA  
FRANK D. McDANIEL, CPA, CGFM, CGMA  
TERRY L. MOATS, CPA, CGMA  
JAMES E. BOOHER, CPA, CGMA

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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*

Board of Mayor and Aldermen  
Town of Caryville, Tennessee

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Caryville, Tennessee (the Town) as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 4, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. However, of the significant deficiencies described below, we consider item #12-1 to be a material weakness.

A significant deficiency is a deficiency, or 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. The significant deficiency is described as item #12-1.

#### OPERATING DEFICIENCIES

##### SEGREGATION OF DUTIES

Finding #12-1: There is an absence of appropriate segregation of duties consistent with control objectives within the revenue cycle. The same accounting personnel are currently responsible for and performing duties involving collections, account adjustments, maintenance of receivables, general ledger activity and bank reconciliations. This finding was reported in the prior year.

Recommendation: We recommend that the Town implement a proper segregation of duties consistent with control objectives. The lack of an adequate number of personnel may make optimal segregation of duties impractical.

Management's Response: We concur. The Mayor and/or Finance Commissioner will review monthly bank statements and bank reconciliations. However, the cost of hiring new employees to implement proper segregation of duties is impractical.

##### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Caryville, 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 is required to be reported under *Government Auditing Standards*.

The Town of Caryville, Tennessee's responses to the findings identified in our audit are described above. We did not audit the Town's responses and, accordingly, we express no opinion on them.

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

  
CERTIFIED PUBLIC ACCOUNTANTS

January 4, 2013

TOWN OF CARYVILLE, TENNESSEE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

All deficiencies from the June 30, 2011 independent auditor's 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*, except for the items referenced in the independent auditor's 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*, were not noted during the performance of the current year audit.