

**City of Williston, Tennessee**  
**Financial Statements**  
**June 30, 2011**

Vance CPA LLC  
*Certified Public Accountants*  
178 Honey Hollow Lane • Belvidere, Tennessee 37306  
*Tel. (888) 531-6408 Fax (866) 406-7422*

**CITY OF WILLISTON  
WILLISTON, TENNESSEE**

**For the Year Ended June 30, 2011**

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## **INTRODUCTORY SECTION**

**CITY OF WILLISTON  
WILLISTON, TENNESSEE**

**For the Year Ended June 30, 2011**

**ELECTED OFFICIALS**

Audrey McQueen, Mayor  
Richard Glover, Vice-Mayor  
James Mod, Commissioner

**APPOINTED OFFICIALS**

Marilyn Conery , Recorder

## **FINANCIAL SECTION**

# Vance CPA LLC

*Certified Public Accountants*

178 Honey Hollow Lane  
Belvidere, Tennessee 37306

Member of:

*American Institute of Certified Public Accountants*

*Georgia Society of Certified Public Accountants*

*Alabama Society of Certified Public Accountants*

*Tel. (888) 531-6408*

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Williston, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major Fund of the City, as of June 30, 2011, and the respective changes in financial position thereof and budgetary comparisons of the General Funds, for the year ended, in conformity with accounting principles generally accepted in the United States of America.

The City of Williston, Tennessee has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined in necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 8, 2011, on our consideration of the City'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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements. 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.

September 8, 2011  
Belvidere, Tennessee

*Vance CPA LLC*

**Vance CPA LLC**

## **BASIC FINANCIAL STATEMENTS**

**STATEMENT OF NET ASSETS**  
**CITY OF WILLISTON, TENNESSEE**  
**For the Year Ended June 30, 2011**

	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 25,710
Certificates of deposit	69,342
Receivables	9,946
Land	1,000
Capital assets (net of accumulated depreciation):	
Buildings, infrastructure, and equipment	<u>223,790</u>
<b>TOTAL ASSETS</b>	<b><u>329,788</u></b>
<b>LIABILITIES</b>	
Accounts payable	200
Deferred revenue	<u>1,971</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,171</u></b>
<b>NET ASSETS</b>	
Invested in capital assets	224,790
Restricted – State Street Aid	<u>—</u>
Unrestricted	<u>102,827</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 327,617</u></b>

See accompanying notes to the basic financial statements.

**STATEMENT OF ACTIVITIES**

**CITY OF WILLISTON, TENNESSEE**

**For the Year Ended June 30, 2011**

<u>Functions/Programs</u>	<u>Program Revenues/</u>				<u>Net (Expense) Revenue and</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Changes in Net Assets</u>
Primary Government					
Governmental Activities					
General government	\$ 37,160	\$ —	\$ —	\$ —	\$ (37,160)
Highway and Streets	<u>9,016</u>	<u>—</u>	<u>10,053</u>	<u>—</u>	<u>1,037</u>
<b>Total Governmental Activities</b>	<b><u>\$ 46,176</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 10,053</u></b>	<b><u>\$ —</u></b>	<b>(36,123)</b>
<b>General Revenues:</b>					
					31,467
Sales taxes					4,473
Other state shared taxes					2,324
Franchise taxes					904
Other sources					<u>1,193</u>
Unrestricted interest income					<u>40,361</u>
Total General Revenues					
					4,238
<b>Changes in Net Assets</b>					
					<u>323,379</u>
Net Assets – Beginning of Year					
					<b><u>\$ 327,617</u></b>
Net Assets – End of Year					

See the accompanying notes to the financial statements.

**BALANCE SHEET – GOVERNMENTAL FUNDS**

**CITY OF WILLISTON, TENNESSEE**

**For the Year Ended June 30, 2011**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 25,710
Certificates of deposit	69,342
Receivables	<u>9,946</u>
<b>Total assets</b>	<b><u><u>104,998</u></u></b>
 <b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES:</b>	
Accounts payable	200
Deferred Revenue	<u>1,971</u>
<b>Total liabilities</b>	<b><u>2,171</u></b>
 <b>FUND BALANCES</b>	
Unrestricted	<u>102,827</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b><u><u>\$ 104,998</u></u></b>

See accompanying notes to the basic financial statements.

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

**CITY OF WILLISTON, TENNESSEE**

**For the Year Ended June 30, 2011**

**Amounts reported for the governmental activities in the statement of net assets are different because:**

<b>Fund balance – total governmental funds</b>	\$ 102,827
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.	<u>224,790</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 327,617</u></b>

See accompanying notes to the basic financial statements.

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

**CITY OF WILLISTON, TENNESSEE**

**For the Year Ended June 30, 2011**

	<b>General Fund</b>
<b>REVENUES</b>	
Taxes	\$ 11,813
Intergovernmental	36,504
Other	<u>2,097</u>
<b>Total revenues</b>	<b><u>50,414</u></b>
<b>EXPENDITURES</b>	
Current:	
General government	24,065
Streets	6,002
Capital Outlay:	
Street	<u>30,000</u>
<b>Total expenditures</b>	<b><u>60,067</u></b>
<b>Net change in fund balance</b>	(9,653)
Fund Balances Beginning of the Year	<u>112,480</u>
<b>Fund Balances End of the Year</b>	<b><u>\$ 102,827</u></b>

See accompanying notes to the basic financial statements.

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

**CITY OF WILLISTON, TENNESSEE**

**For the Year Ended June 30, 2011**

**Amounts reported for the governmental activities in the statement of activities are  
different because:**

**Net change in fund balance – total governmental funds** \$ (9,653)

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities the cost of those assets is allocated over their  
estimated useful lives and reported as depreciation expense in the current  
period. This is the amount by which Capital Outlay (\$30,000) exceeded  
depreciation expense (\$16,109) in the current year.

13,891

**Change in Net Assets of Governmental Activities** \$ 4,238

See accompanying notes to the basic financial statements.

**GENERAL FUND  
STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS)  
AND ACTUAL**

**CITY OF WILLISTON, TENNESSEE**

**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Taxes:				
Local Sales tax	\$ 9,000	\$ 9,000	\$ 9,489	\$ 489
Franchise	<u>2,500</u>	<u>2,500</u>	<u>2,324</u>	<u>(176)</u>
	<u>11,500</u>	<u>11,500</u>	<u>11,813</u>	<u>313</u>
Intergovernmental:				
State – TVA in lieu of tax	3,800	3,800	3,837	37
State – Street and Transportation	1,000	1,000	759	(241)
State – sales tax	17,700	17,700	21,978	4,278
State – beer tax	—	—	178	178
State – telecom tax	8,300	8,300	9,321	1,021
State – excise tax	<u>1,000</u>	<u>1,000</u>	<u>431</u>	<u>(569)</u>
	<u>31,800</u>	<u>31,800</u>	<u>36,504</u>	<u>4,704</u>
Other:				
Interest	2,500	2,500	1,193	(1,307)
Miscellaneous	<u>—</u>	<u>—</u>	<u>904</u>	<u>904</u>
	<u>2,500</u>	<u>2,500</u>	<u>2,097</u>	<u>(403)</u>
<b>TOTAL REVENUES</b>	<b><u>\$ 45,800</u></b>	<b><u>\$ 45,800</u></b>	<b><u>\$ 50,414</u></b>	<b><u>\$ 4,614</u></b>

See accompanying notes to the basic financial statements.

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS)  
AND ACTUAL (continued)**

**CITY OF WILLISTON, TENNESSEE**

**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES</b>				
Current				
General government:				
Salaries	\$ 6,500	\$ 6,500	\$ 5,050	\$ 1,450
Payroll taxes	500	500	515	(15)
Repairs & maintenance	5,500	5,500	6,211	(711)
Utilities	2,200	2,200	3,884	(1,684)
Advertising	1,100	1,100	569	531
Legal and accounting	4,800	4,800	3,745	1,055
Supplies	500	500	274	226
Insurance, bonds, and dues	3,100	3,100	3,091	9
Miscellaneous	—	—	726	(726)
Total general government	<u>24,200</u>	<u>24,200</u>	<u>24,065</u>	<u>135</u>
Street:				
Utilities	5,520	5,520	4,617	903
Maintenance	<u>2,780</u>	<u>2,780</u>	<u>1,385</u>	<u>1,395</u>
Total Street	<u>8,300</u>	<u>8,300</u>	<u>6,002</u>	<u>2,298</u>
Capital Outlay	<u>13,300</u>	<u>30,000</u>	<u>30,000</u>	<u>—</u>
<b>Total Expenditures</b>	<u>45,800</u>	<u>62,500</u>	<u>60,067</u>	<u>2,433</u>
<b>Net change in fund balance</b>	<u>\$ —</u>	<u>\$ (16,700)</u>	(9,653)	<u>\$ 7,047</u>
<b>FUND BALANCE AT THE BEGINNING OF YEAR</b>			<u>112,480</u>	
<b>FUND BALANCE AT THE END OF YEAR</b>			<u>\$ 102,827</u>	

See accompanying notes to the basic financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **CITY OF WILLISTON, TENNESSEE**

**For the Year Ended June 30, 2011**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Williston, Tennessee, is a municipality operating under the City Manager – Commissioner Charter authorized in Tennessee statute. Three commissioners are elected. All are elected on an ‘at-large’ basis. The Mayor is elected from among commissioners by vote of the commissioners themselves. The City provides the following services, as authorized by its charter and duly passed ordinances; public safety, streets, public improvements, and general administrative services. The accounting policies of the City of Williston, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

##### Reporting Entity

Governmental Accounting standards Board (GASB) Statement Number 14, “The financial Reporting Entity” requires that financial statements present the reporting entity which consists of the primary government and any “Component Unit” organizations for which the primary government is financially accountable and any other “Component Unit” organizations for which the nature and significance of their relationship with the primary government are such that exclusion, could cause the City’s general purpose financial statements to be misleading. There were no component units requiring blended or discrete presentation under the requirements of GASB Statement Number 14.

##### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

## NOTES TO THE FINANCIAL STATEMENTS

### CITY OF WILLISTON, TENNESSEE

For the Year Ended June 30, 2011

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

##### Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

State shared revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

The City has no proprietary funds.

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant *Governmental Accounting Standards Board* (GASB) pronouncements and applicable *Financial Accounting Standards Board* (FASB) pronouncements and *Accounting Principles Board* (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

## NOTES TO THE FINANCIAL STATEMENTS

### CITY OF WILLISTON, TENNESSEE

For the Year Ended June 30, 2011

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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.

#### Assets, Liabilities, and net Assets or Equity

##### Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value. Any change in the value of investments recorded at fair value is included in investment income. Fair value is based on quoted market prices at fiscal year end. All investments consisted of certificates of deposit.

##### Receivables and Payables

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other fund" or "due to other funds" on the balance sheet.

##### Capital Assets

Capital assets, including property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. All land, construction in progress, and works of art will be included. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

## NOTES TO THE FINANCIAL STATEMENTS

### CITY OF WILLISTON, TENNESSEE

For the Year Ended June 30, 2011

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the City are depreciated using the straight line method over the following useful lives:

Buildings	10-50 years
Infrastructure	30 years
Equipment	5-10 years

#### Deferred Revenue

Deferred revenue represents amounts that were receivable and measurable at June 30, 2011, but were not available to finance expenditures for the year ended June 30, 2011. Deferred revenues primarily include either unearned or unavailable revenues.

#### Compensated Absences

The governmental funds' employee does not accrue vacation leave.

#### Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities.

#### Net Assets and Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **CITY OF WILLISTON, TENNESSEE**

**For the Year Ended June 30, 2011**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent.

These classifications may consist of the following:

**Nonspendable Fund Balance** – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Restricted Fund Balance** – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed Fund Balance** – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Town Council, the Town's highest level of decision-making authority.

**Assigned Fund Balance** – includes amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town's Budget Committee is authorized to make assignments.

**Unassigned Fund Balance** – is represented by the residual classification of the General Fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

**NOTES TO THE FINANCIAL STATEMENTS**

**CITY OF WILLISTON, TENNESSEE**

**For the Year Ended June 30, 2011**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of Certain Differences Between the Governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

The reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation states that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period. This is the amount by which depreciation expense exceeded capital outlays in the current period.” The details of this difference are as follows:

Depreciation expense	\$ (16,109)
Capital outlay expenditures	<u>30,000</u>
Net adjustment for the difference in depreciation expense and capital outlay expenditures	<u>\$ 13,891</u>

**NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgets are adopted and approved by council vote on an annual basis for the General and Special Revenue funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The City Council approves, by ordinance, total budget appropriations by department only. The Mayor is authorized to transfer budget amounts between line items within each department; however, any revisions that alter the total appropriations of any fund must be approved by the City Council.
- c. The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

## NOTES TO THE FINANCIAL STATEMENTS

### CITY OF WILLISTON, TENNESSEE

For the Year Ended June 30, 2011

#### NOTE 4 – DETAILED NOTES ON ALL FUNDS

##### Deposits

The City's deposits consist of cash in checking accounts and certificates of deposits.

##### Custodial Credit Risk

The City's policies limit deposits and investments to those instruments allowed by applicable state laws as described below. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the federal Reserve Banks acting as third party agents. State statutes also authorized the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statues also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2011, the City was adequately collateralized.

##### Receivables

Receivables as of year-end for the government's individual funds, including the applicable allowances for uncollectible accounts, are as follows:

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of June 30, 2011, deferred revenue consisted of taxes of \$1,971.

	General
	<u>Fund</u>
Sales taxes	\$ 9,946
Gross receivables	9,946
Less allowance for uncollectibles	<u>—</u>
Net receivables	<u>\$ 9,946</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**CITY OF WILLISTON, TENNESSEE**

**For the Year Ended June 30, 2011**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (continued)**

**Capital Assets**

Capital asset activity for the year ended June 30, 2011, was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>Ending Balance</u></b>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,000	\$ —	\$ —	\$ 1,000
Capital assets being depreciated				
Infrastructures	45,346	30,000	—	75,346
Buildings	226,221	—	—	226,221
Equipment	220,555	—	—	220,555
Total capital assets being depreciated	<u>492,122</u>	<u>30,000</u>	<u>—</u>	<u>522,122</u>
Less Accumulated depreciation for:				
Infrastructure	7,644	3,014	—	10,658
Buildings	209,805	1,039	—	210,844
Equipment	64,774	12,056	—	76,830
Total accumulated depreciation	<u>282,223</u>	<u>16,109</u>	<u>—</u>	<u>298,332</u>
Total capital assets being depreciated	<u>209,899</u>	<u>13,891</u>	<u>—</u>	<u>223,790</u>
Total capital assets	<u>\$ 210,899</u>	<u>\$ 13,891</u>	<u>\$ —</u>	<u>\$ 224,790</u>

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

Governmental activities:	
General government	\$ 13,095
Highway and streets	<u>3,014</u>
Total	<u>\$ 16,109</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **CITY OF WILLISTON, TENNESSEE**

**For the Year Ended June 30, 2011**

#### **NOTE 5 – OTHER INFORMATION**

##### **Risk Management**

The City of Williston is exposed to various risks to general liability and property and casualty losses. The City has decided it is more economically feasible to be in a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage. The City participates in the TML Insurance Pool which is a public entity risk pool established by the Tennessee Municipal League, and association of member municipalities. The City pays an annual premium to the TML for its general liability and property and casualty insurance coverage. The pool reinsures through commercial insurance companies. The City has not had claims in excess of insurance coverage during the last three years.

##### **Contingent Liabilities and Losses**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the City's management expects such amounts, if any, to be immaterial.

##### **Employee Retirement Systems and Pensions Plans**

The City does not offer a retirement benefit or a pension plan.

##### **Equipment Lease**

During 2007, the City leased its fire equipment to Fayette County, Tennessee and the local volunteer fire department. The lease is for a period of five years. The lease amount is a nominal amount. At the end of the five years both Fayette County and the City will review the lease.

#### **NOTE 6 – ACCOUNTING CHANGE**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended September 30, 2011. GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. The Town has implemented provisions of this statement in the financial statements of this report for its governmental funds.

**INTERNAL CONTROL AND COMPLIANCE SECTION**

# Vance CPA LLC

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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities and each major fund of the City of Williston, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 8, 2011. 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**

In planning and performing our audit, we considered the City'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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, we identified certain deficiencies in internal control over financial reporting, described below, that we consider to be material weaknesses.

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 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. 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 City's financial statement will not be prevented, or detected and corrected on a timely basis.

We have identified the following significant deficiency in internal control which is also considered to be a material weakness.

Prior year 2005-1 – Lack of segregation of duties – Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees precludes proper segregation of duties. We recommend that in the absence of the ability to hire additional employees, that mitigating procedures including additional oversight with regard to certain duties be performed regularly to mitigate the risks caused by lack of segregation of duties.

Management's response – Due to the limited number of employees, it is virtually impossible to maintain complete separation of accounting and administrative duties among employees.

The City's responses to the findings identified in our audit are included above. We did not audit the city's response and, accordingly, we express no opinion on it.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

September 8, 2011  
Belvidere, Tennessee



**Vance CPA LLC**