

TOWN OF BIG SANDY, TENNESSEE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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INTRODUCTORY SECTION

**TOWN OF BIG SANDY, TENNESSEE
DIRECTORY
June 30, 2011**

ELECTED OFFICIALS

Ron Lane, Mayor
John Clement, Alderman
John A. Cowell, Alderman
Louise Graham, Alderman
John R. Dinwiddie, Alderman
Ted Cooper, Alderman

APPOINTED OFFICIALS

Debbie Wright, Recorder

COUNSEL

Peeler & Hollis
Camden, Tennessee

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION



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Independent Auditor's Report

Mayor and Board of Alderman
Town of Big Sandy, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Big Sandy, Tennessee (the Town), as of and for the year ended June 30, 2011, 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'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2011, on our consideration of the Town'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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the schedule of funding progress-employee retirement system on page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental

Mayor and Board of Alderman
Town of Big Sandy, Tennessee

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's financial statements as a whole. The introductory section and the other supplementary information section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that which has been marked "unaudited", has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole. The introductory section and the other supplementary information marked as "unaudited" have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink, appearing to read "Alexander Thompson" followed by some less legible characters.

Certified Public Accountant
Jackson, Tennessee
October 28, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Big Sandy, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011. Comparative analyses of key elements of total governmental funds and total enterprise funds have been provided.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Big Sandy exceeded its liabilities at the close of the most recent fiscal year by \$2.62 million (*net assets*). Of this amount, \$547 thousand (*unrestricted net assets*) may be used to meet the Town of Big Sandy's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town of Big Sandy's general fund reported an ending fund balance of \$250 thousand, an increase of \$5,744 in comparison with the prior year. Of the total fund balance, \$214 thousand is available for spending at the Town of Big Sandy's discretion (*unassigned fund balance*) and \$35,962 has been assigned.
- The Town of Big Sandy's total debt obligations decreased by \$26,961 during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of the following components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements
4. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves

Government-Wide Financial Statements

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

- The Statement of Net Assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- The Statement of Activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, compensated absences, etc.).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, and health, culture, welfare, and recreation. The business-type activities of the Town of Big Sandy include the water and sewer operations. The government-wide financial statements can be found on pages 9 to 11 of this report.

Fund Financial Statements

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

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the Government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements and reconciliations can be found on pages 12 to 15 of this report.

The Town maintains three governmental funds. Information is presented separately in the Balance Sheet - Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for the general fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation for these statements and is also presented separately in a Combining Balance Sheet - Other Governmental Funds and a Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Other Governmental Funds.

The City adopts an annual appropriated budget for each governmental fund. Budgetary comparison statements have been provided on pages 21 to 23 and pages 38 and 40 of this report.

Proprietary funds - There are two different types of proprietary funds.

- *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for the water and sewer operations.
- *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a government's various functions. The Town currently has no internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer operations which is considered to be a major fund of the Town of Big Sandy. The basic proprietary fund financial statements can be found on pages 16 to 20 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 to 34 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's ability to meet its projected budget and the Town's schedule of funding progress for its respective pension plans.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$2.62 million at the close of the most recent fiscal year. The largest portion of the Town's net assets (73.81%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the remaining balance of net assets representing unrestricted net assets (20.88%) may be used to meet the Town of Big Sandy's ongoing obligations to citizens and creditors. The remaining balance (5.31%) is restricted and can only be used for specified purposes. At the end of the current fiscal year, the Town of Big Sandy is able to report positive balances in all three categories of net assets, both for the Town of Big Sandy as a whole, as well as its total governmental and business-type activities.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 329,390	\$ 315,563	\$ 445,946	\$ 438,295	\$ 775,336	\$ 753,858
Capital assets	265,645	280,871	2,355,153	2,427,814	2,620,798	2,708,685
Total assets	595,035	596,434	2,801,099	2,866,109	3,396,134	3,462,543
Long-term liabilities	7,594	7,594	690,039	717,000	697,633	724,594
Other liabilities	48,793	44,136	30,580	30,279	79,373	74,415
Total liabilities	56,387	51,730	720,619	747,279	777,006	799,009
Net assets:						
Invested in capital assets, net of related debt	265,645	280,871	1,667,476	1,713,176	1,933,121	1,994,047
Restricted for:						
Debt service	-	-	114,283	112,031	114,283	112,031
Drug fund enforcement	20,656	18,841	-	-	20,656	18,841
State street aid fund	4,204	2,933	-	-	4,204	2,933
Unrestricted	248,143	242,059	298,721	293,623	546,864	535,682
Total net assets	\$ 538,648	\$ 544,704	\$ 2,080,480	\$ 2,118,830	\$ 2,619,128	\$ 2,663,534

During the current fiscal year, the Town's net assets decreased by \$44,406. The decrease was primarily due to a loss in the water and sewer fund. The decrease in long-term liabilities was due to payments being made on the debt of the water and sewer system.

Statement of Activities - Expenses in governmental activities exceeded program revenues by \$233 thousand. In the business-type activities expenses exceeded revenues by \$42,678. General government revenues of \$227 thousand helped to offset part of the deficit leaving a net decrease of \$6,056 for the governmental activities. Other business type revenues of \$4,328 decreased the loss in the business-type activities to \$38,350.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 56,996	\$ 54,718	\$ 214,755	\$ 208,909	\$ 271,751	\$ 263,627
Operating grants and contributions	15,271	14,871	-	-	15,271	14,871
Capital grants and contributions	3,486	-	1,577	-	5,063	-
General revenues:						
Property taxes	51,436	40,911	-	-	51,436	40,911
Other taxes	159,410	160,519	-	-	159,410	160,519
Other sources	16,584	14,087	4,328	(80,519)	20,912	(66,432)
Total revenues	<u>303,183</u>	<u>285,106</u>	<u>220,660</u>	<u>128,390</u>	<u>523,843</u>	<u>413,496</u>
Expenses:						
General government	185,652	179,447	-	-	185,652	179,447
Public safety	52,669	55,824	-	-	52,669	55,824
Public works	65,715	69,021	-	-	65,715	69,021
Health, culture, welfare and recreation	5,203	3,760	-	-	5,203	3,760
Water and sewer	-	-	259,010	253,835	259,010	253,835
Total Expenses	309,239	308,052	259,010	253,835	568,249	561,887
Increase in net assets	(6,056)	(22,946)	(38,350)	(125,445)	(44,406)	(148,391)
Net assets - beginning	544,704	567,650	2,118,830	2,225,313	2,663,534	2,792,963
Prior period adjustment	-	-	-	18,962	-	18,962
Net assets - beginning - restated	<u>544,704</u>	<u>567,650</u>	<u>2,118,830</u>	<u>2,244,275</u>	<u>2,663,534</u>	<u>2,811,925</u>
Net assets - ending	<u>\$ 538,648</u>	<u>\$ 544,704</u>	<u>\$ 2,080,480</u>	<u>\$ 2,118,830</u>	<u>\$ 2,619,128</u>	<u>\$ 2,663,534</u>

The increase in revenues in the business-type activities was primarily due to there being an increase in water and sewer rates during the year as well as loss on disposal of assets being recognized in 2010. The increase in revenues in the governmental activities was due to an increase in property tax collections and an increase in grant revenue during the year.

FUND FINANCIAL STATEMENTS ANALYSIS

Governmental funds - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Government's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund accounts for 77.26% of governmental fund revenues. Accordingly this discussion will focus on the general fund. General fund balance was \$214 thousand at the end of the current fiscal year. The entire balance is available to meet the day-to-day needs of the Town.

- Revenues in the general fund increased over last year by \$13,231. This was primarily due to increased property tax collections and increased grant revenue.

A budget comparison statement has been provided to demonstrate compliance with the budget.

Proprietary funds - The Town of Big Sandy's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of proprietary funds at the end of the year amounted to \$299 thousand. The total change in net assets for these funds was \$38,350 which was primarily due to the operating loss of the system.

Budgetary highlights - The City made revisions to the original appropriations approved by the Board of Alderman. Overall these changes resulted in a 1.33% increase in budgeted revenues and a 1.72% increase in budgeted expenditures from the original budget for the general fund. These changes were spread throughout numerous accounts.

Final budgeted revenues exceeded the actual revenue by \$715. Actual expenditures were under budget by \$5,176. There were no significant variances between the original and final budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2011, the Town had invested \$2.62 million net of accumulated depreciation in a variety of capital assets. As allowed by GASB Statement No. 34, the Town did not report original infrastructure (streets, sidewalks, bridges, etc.) due to the Town being a Phase 3 government. The Town is only required to report infrastructure going forward as of July 1, 2003. Additional information on the Town's capital assets can be found in Note 4C beginning on page 30 of this report.

Long-term debt - At the end of the current fiscal year, the Town of Big Sandy had total debt outstanding of \$688 thousand. The total amount was backed by the full faith and credit of the Town of Big Sandy. Additional information on the Town of Big Sandy's long-term debt can be found in Note 4D beginning on page 32 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town of Big Sandy currently has no plans to issue new debt or apply for any additional grants in 2011.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Big Sandy's finances for citizens, taxpayers, customers, investors, creditors, and all others with an interest in the Town of Big Sandy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Recorder, Town of Big Sandy, P.O. Box 176, Big Sandy, TN 38221.

BASIC FINANCIAL STATEMENTS

TOWN OF BIG SANDY, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Business-type		Total
	Activities	Activities	
Assets			
Cash on hand	\$ -	\$ 200	\$ 200
Cash and cash equivalents	127,354	148,848	276,202
Investments	116,852	161,933	278,785
Receivables:			
Interest	30	70	100
Taxes	49,025	-	49,025
Accounts	10,593	16,408	27,001
Accounts - court fines (net of allowances)	44	-	44
Intergovernmental - nongrant	23,749	-	23,749
Prepaid insurance	1,743	1,634	3,377
Restricted assets:			
Certificates of deposit	-	116,853	116,853
Capital assets not being depreciated:			
Land	13,800	15,461	29,261
Capital assets (net of accumulated depreciation):			
Land improvements	6,275	-	6,275
Buildings	241,004	141,424	382,428
Water and sewer plant	-	877,823	877,823
Distribution system	-	1,320,445	1,320,445
Equipment	4,566	-	4,566
Total assets	<u>\$ 595,035</u>	<u>\$ 2,801,099</u>	<u>\$ 3,396,134</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
STATEMENT OF NET ASSETS (Cont.)
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities			
Accounts payable	\$ 4,602	\$ 3,252	\$ 7,854
Accrued expenses	-	1,067	1,067
Accrued interest	-	2,570	2,570
Customer deposits	-	23,691	23,691
Deferred revenue	44,191	-	44,191
Noncurrent liabilities:			
Due within one year	-	28,214	28,214
Due in more than one year	7,594	661,825	669,419
Total liabilities	<u>56,387</u>	<u>720,619</u>	<u>777,006</u>
Net Assets			
Invested in fixed assets net of related debt	265,645	1,667,476	1,933,121
Restricted for:			
Debt service	-	114,283	114,283
Drug fund enforcement	20,656	-	20,656
State street aid fund	4,204	-	4,204
Unrestricted	<u>248,143</u>	<u>298,721</u>	<u>546,864</u>
Total net assets	<u>\$ 538,648</u>	<u>\$ 2,080,480</u>	<u>\$ 2,619,128</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
STATEMENT OF ACTIVITIES
For The Fiscal Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Primary government							
Governmental activities:							
General government	\$ 185,652	\$ -	\$ -	\$ -	\$ (185,652)	\$ -	\$ (185,652)
Public safety	52,669	3,976	-	-	(48,693)	-	(48,693)
Public works	65,715	52,570	15,271	-	2,126	-	2,126
Health, culture, welfare, and recreation	5,203	450	-	3,486	(1,267)	-	(1,267)
Total governmental activities	<u>309,239</u>	<u>56,996</u>	<u>15,271</u>	<u>3,486</u>	<u>(233,486)</u>	<u>-</u>	<u>(233,486)</u>
Business-type activities:							
Water & sewer	\$ 259,010	\$ 214,755	\$ -	\$ 1,577	-	(42,678)	(42,678)
General revenues:							
Property taxes - levied for general government					44,927	-	44,927
In lieu of tax - other governments					6,509	-	6,509
Sales taxes					104,074	-	104,074
Franchise taxes					3,015	-	3,015
Alcoholic beverage taxes					50,168	-	50,168
Income taxes					2,153	-	2,153
Other sources					14,603	-	14,603
Unrestricted interest income					1,981	4,328	6,309
Total general revenues					<u>227,430</u>	<u>4,328</u>	<u>231,758</u>
Changes in net assets					(6,056)	(38,350)	(44,406)
Net assets - beginning					<u>544,704</u>	<u>2,118,830</u>	<u>2,663,534</u>
Net assets - ending					<u>\$ 538,648</u>	<u>\$ 2,080,480</u>	<u>\$ 2,619,128</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2011

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 105,019	\$ 22,335	\$ 127,354
Investments	116,852	-	116,852
Receivables:			
Interest	30	-	30
Taxes	49,025	-	49,025
Accounts	10,593	-	10,593
Accounts - court fines (net of allowance for uncollectibles of \$3,531)	44	-	44
Intergovernmental - nongrant	21,224	2,525	23,749
Prepaid insurance	1,743	-	1,743
Total assets	<u>\$ 304,530</u>	<u>\$ 24,860</u>	<u>\$ 329,390</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 4,602	\$ -	\$ 4,602
Deferred revenue	49,931	-	49,931
Total liabilities	<u>54,533</u>	<u>-</u>	<u>54,533</u>
Fund balances			
Restricted	-	24,860	24,860
Assigned	35,962	-	35,962
Unassigned	214,035	-	214,035
Total fund balances	<u>249,997</u>	<u>24,860</u>	<u>274,857</u>
Total liabilities and fund balances	<u>\$ 304,530</u>	<u>\$ 24,860</u>	<u>\$ 329,390</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2011

Amounts reported for the governmental activities in the statement of net assets (Page 10) are different because:

Fund balance - total governmental funds (Page 12)	\$	274,857
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds		265,645
Long-term liabilities, such as accrued vacation, are not expected to be paid in the the current period and, therefore, are not reported in the funds		(7,594)
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds		<u>5,740</u>
Net assets of governmental activities (Page 10)	\$	<u>538,648</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF BIG SANDY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2011

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 163,039	\$ -	\$ 163,039
Intergovernmental	61,024	14,157	75,181
Charges for services	53,607	-	53,607
Fines	1,927	2,016	3,943
Other	7,054	20	7,074
Total revenues	<u>286,651</u>	<u>16,193</u>	<u>302,844</u>
Expenditures			
Current			
General government	177,236	-	177,236
Public safety	52,335	221	52,556
Public works	49,694	12,886	62,580
Health, culture, welfare, and recreation	1,642	-	1,642
Total expenditures	<u>280,907</u>	<u>13,107</u>	<u>294,014</u>
Net changes in fund balances	5,744	3,086	8,830
Fund balance - beginning	<u>244,253</u>	<u>21,774</u>	<u>266,027</u>
Fund balance - ending	<u>\$ 249,997</u>	<u>\$ 24,860</u>	<u>\$ 274,857</u>

The accompanying notes are an integral part of the financial statements.

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

June 30, 2011

Amounts reported for the governmental activities in the statement of activities (Page 11) are different because:

Net change in fund balance - total governmental funds (Page 14)	\$	8,830
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 exceeded capital outlays in the current period.		(15,226)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		<u>340</u>
Change in net assets of governmental activities (Page 11)	\$	<u>(6,056)</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

Assets

Current assets:

Cash on hand	\$	200
Cash and cash equivalents		148,848
Investments		161,933
Receivables:		
Accounts		16,408
Interest		70
Prepaid insurance		1,634
Total current assets		<u>329,093</u>

Restricted assets

Investments		<u>116,853</u>
Total restricted assets		<u>116,853</u>

Capital assets not being depreciated

Land		15,461
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Capital assets (net of accumulated depreciation)

Buildings		141,424
Water and sewer plant		877,823
Distribution system		<u>1,320,445</u>
Total fixed assets		<u>2,355,153</u>

Total assets	\$	<u>2,801,099</u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

Liabilities

Current liabilities

Accounts payable	\$ 3,252
Other accrued expenses	1,067
Accrued leave	2,362
Accrued interest payable	2,570
Current maturities of long-term debt	<u>28,214</u>
Total current liabilities	<u>37,465</u>

Noncurrent liabilities

Customer deposits	23,691
Notes payable (less current maturities)	<u>659,463</u>
Total noncurrent liabilities	<u>683,154</u>

Total liabilities	<u>720,619</u>
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Net assets

Invested in capital assets, net of related debt	1,667,476
Restricted for debt service	114,283
Unrestricted	<u>298,721</u>
Total net assets	<u>2,080,480</u>

Total liabilities and net assets	<u>\$ 2,801,099</u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2011

Operating revenues	
Charges for sales and service	\$ 201,790
Other operating revenue	<u>12,965</u>
Total operating revenues	<u>214,755</u>
Operating expenses	
Operating and maintenance	150,337
Provision for depreciation	<u>77,811</u>
Total operating expenses	<u>228,148</u>
Operating income (loss)	<u>(13,393)</u>
Nonoperating revenues (expenses)	
Interest and other income	4,328
Interest and other expense	<u>(30,862)</u>
Total nonoperating revenues (expenses)	<u>(26,534)</u>
Capital contributions	<u>1,577</u>
Change in net assets	(38,350)
Total net assets - beginning	<u>2,118,830</u>
Total net assets - ending	<u>\$ 2,080,480</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2011

Cash flows from operating activities

Cash received from consumers	\$	213,275
Cash paid to suppliers of goods and services		(83,581)
Cash paid to employees for services		(63,515)
Repayments to other funds		(2,477)
Collections from other funds		3,542
Customer deposits refunded		(3,969)
Customer deposits received		4,250
Net cash provided (used) by operating activities		<u>67,525</u>

Cash flows from capital and related financing activities

Capital contributed from grants and customers		1,577
Principal paid on debt		(26,961)
Interest paid on bonds, notes, and leases		(31,327)
Construction and acquisition of plant		(5,150)
Net cash provided (used) by capital and related financing activities		<u>(61,861)</u>

Cash flows from investing activities

Purchase of investment		(276,883)
Proceeds from sale and maturities of investments		272,854
Interest and unrealized change in investments		4,407
Net cash provided (used) by investing activities		<u>378</u>

Net increase (decrease) in cash and cash equivalents **6,042**

Cash and cash equivalents - beginning of year 143,006

Cash and cash equivalents - end of year \$ 149,048

Cash and cash equivalents

Unrestricted cash on hand	\$	200
Unrestricted cash and cash equivalents on deposit		<u>148,848</u>
Total cash and cash equivalents	<u>\$</u>	<u>149,048</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
STATEMENT OF CASH FLOWS (Cont.)
PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2011

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	\$ (13,393)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	77,811
Changes in assets and liabilities:	
Accounts receivable	1,480
Prepaid insurance	(204)
Due from other funds	3,542
Accounts payable and accrued expenses	485
Due to other funds	(2,477)
Customer deposits	281
Net cash provided (used) by operating activities	<u>\$ 67,525</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2011

Revenues	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Taxes				
Property tax current	\$ 44,000	\$ 43,000	\$ 43,202	\$ 202
Tax penalties	700	700	717	17
Local sales tax	67,000	70,565	71,364	799
Local beer tax	45,000	45,000	45,711	711
Beer privilege tax	500	900	900	-
Cable TV franchise fee	3,000	3,000	3,032	32
	<u>160,200</u>	<u>163,165</u>	<u>164,926</u>	<u>1,761</u>
Intergovernmental				
State - TVA in lieu of tax	6,400	6,509	6,509	-
State - sales tax	37,410	34,278	34,285	7
State - income tax	4,000	2,597	2,598	1
State - beer tax	288	288	270	(18)
State - mixed drink tax	2,926	3,275	3,275	-
State - street aid	1,119	1,111	1,112	1
State - telecom tax	50	41	42	1
State - police supplement	1,200	1,200	1,200	-
State - seniors supplement	8,301	8,309	8,310	1
State - excise tax	2,085	343	343	-
Grant revenue	-	5,062	3,486	(1,576)
	<u>63,779</u>	<u>63,013</u>	<u>61,430</u>	<u>(1,583)</u>
Charges for services				
Fire calls	2,500	500	500	-
Field fees	700	450	450	-
Other	200	100	-	(100)
	<u>3,400</u>	<u>1,050</u>	<u>950</u>	<u>(100)</u>
Fines				
Fines - city court	2,000	1,977	1,977	-
	<u>2,000</u>	<u>1,977</u>	<u>1,977</u>	<u>-</u>
Other				
Interest	3,000	2,100	1,965	(135)
Miscellaneous	1,000	5,174	4,516	(658)
	<u>4,000</u>	<u>7,274</u>	<u>6,481</u>	<u>(793)</u>
Total revenues	<u>\$ 233,379</u>	<u>\$ 236,479</u>	<u>\$ 235,764</u>	<u>\$ (715)</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2011

Expenditures	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Current				
General government				
Salary	\$ 62,300	\$ 62,300	\$ 68,762	\$ 6,462
Payroll taxes	9,030	8,865	8,985	120
Health insurance	27,000	25,375	25,236	(139)
Retirement	3,971	3,706	3,661	(45)
Utilities	18,900	21,000	20,971	(29)
Publicity, subscriptions, and dues	1,017	750	629	(121)
Telephone	1,800	1,850	2,023	173
Professional fees	10,000	10,170	10,170	-
Supplies	2,574	2,574	2,820	246
Repairs and maintenance	3,000	4,000	3,726	(274)
Insurance	10,385	8,907	8,907	-
Gas, oil, diesel fuel, and grease	4,000	4,500	3,850	(650)
Election	-	-	1,811	1,811
Alderman	-	-	3,343	3,343
Travel and schools	-	-	1,252	1,252
Miscellaneous	2,100	8,960	1,425	(7,535)
Rental	6,200	6,200	6,200	-
Total general government	<u>162,277</u>	<u>169,157</u>	<u>173,771</u>	<u>4,614</u>
Public safety				
Police				
Salary	52,617	52,617	46,392	(6,225)
City judge	720	140	140	-
Radio expense	250	700	643	(57)
Miscellaneous	125	33	18	(15)
Equipment and supplies	750	137	137	-
Vehicle repair and maintenance	600	163	-	(163)
Total police	<u>55,062</u>	<u>53,790</u>	<u>47,330</u>	<u>(6,460)</u>
Fire				
Contribution to Fire Department	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total public safety	<u>\$ 60,062</u>	<u>\$ 58,790</u>	<u>\$ 52,330</u>	<u>\$ (6,460)</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF BIG SANDY, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Public works				
Street department				
Street repair	\$ 5,500	\$ 2,500	\$ 1,771	\$ (729)
Capital outlay	<u>3,000</u>	<u>1,000</u>	<u>150</u>	<u>(850)</u>
Total public works	<u>8,500</u>	<u>3,500</u>	<u>1,921</u>	<u>(1,579)</u>
Health, culture, recreation and welfare				
Parks				
Capital outlay	<u>-</u>	<u>3,373</u>	<u>1,622</u>	<u>(1,751)</u>
Total health, culture, recreation, and welfare	<u>-</u>	<u>3,373</u>	<u>1,622</u>	<u>(1,751)</u>
Total expenditures	<u>230,839</u>	<u>234,820</u>	<u>229,644</u>	<u>(5,176)</u>
Net changes in fund balances	<u>\$ 2,540</u>	<u>\$ 1,659</u>	<u>6,120</u>	<u>\$ 4,461</u>
Fund balance - beginning			<u>213,694</u>	
Fund balance - ending			<u>\$ 219,814</u>	
Reconciliation to fund financial statements:				
Excess (deficiency) of revenues over (under) expenditures - budgetary			\$ 6,120	
Revenues and expenditures not included in budgetary statements:				
Sanitation - charges for services			52,483	
Sanitation - expenditures			<u>(47,105)</u>	
Excess (deficiency) of revenues over (under) expenditures - budgetary			<u>11,498</u>	
The Town budgets for revenues and expenses on the cash basis, rather than on the modified accrual basis				
General fund			(5,779)	
Sanitation operations			<u>25</u>	
Total conversion from cash to modified accrual basis			<u>(5,754)</u>	
Excess (deficiency) of revenues over (under) expenditures - GAAP			<u>\$ 5,744</u>	
Fund balance - budgetary			219,814	
Excess (deficiency) of revenues over (under) expenditures - GAAP - General			(5,779)	
Assets related to sanitation operations			35,962	
Liabilities related to sanitation operations			<u>-</u>	
Fund balance - GAAP			<u>\$ 249,997</u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Big Sandy, Tennessee (the Town) operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety (police), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. As required by generally accepted accounting principles, these financial statements present all funds, which comprise the Town. There are no other component units, entities for which the Town is considered financially accountable, which should be included.

B. 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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor combining statements and individual statements are presented in the other supplementary section.

C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

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

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

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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.

Property taxes, gross receipt taxes, sales taxes, grants, 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. A deferred amount is recognized for the portion of those revenues that are not available within sixty days of the close of the fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town 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 Town reports the following major proprietary funds:

The water and sewer fund accounts for the activities associated with the water distribution system and for the activities associated with the sewage treatment plant, sewage pumping stations, and collection system.

The financial statements of the Town are prepared in accordance with generally accepted accounting principles. The Town'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 Town's reporting entity does not apply FASB pronouncements issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility divisions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

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

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

The Town'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, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds".

The allowances for uncollectible court fines are based on past history of uncollectible accounts and management's analysis of current accounts. The Town currently records no other allowance for uncollectibles, due to their historical collection rates.

Property taxes are levied annually on January 1. The taxes are due and payable from the following October through February in the year succeeding the tax levy. An unperfected lien attaches by statute to property on March 1 for unpaid taxes from the prior year's levy. Taxes uncollected by April 1 of the second year they are due are submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment.

Restricted Assets

The Town maintains a certificate of deposit in the Water & Sewer Fund to be used for capital improvements at the discretion of the Board of Alderman and Mayor. The Town elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

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 \$1,500 and an estimated useful life in excess of five 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.

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.

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

Buildings	40 years
Improvements	15 years
Equipment	5 – 7 years
Water and sewer plant	40 years
Distribution system	3 -40 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' employees accrue vacation leave based on the following table. The entire obligation is recorded as a long-term liability due to the fact that no current employees are retiring in the current period. Employees with 1-10 years accrue 96 hours, 10-15 years accrue 120 hours, and 15+ years accrue 144 hours.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund equity

Effective July 1, 2010, the City adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying governmental fund type definitions. The City has evaluated the use of its Debt Service Fund and Industrial Park Fund under the criteria set forth in GASB Statement 54 and has determined that there is no change needed.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable fund balance

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

Committed fund balance

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority, the Board of Alderman of the City of Henderson. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: ordinance).

Assigned fund balance

This classification includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. The Board and its designee, the City Recorder, have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned fund balance

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

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

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

A. 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 a 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 "revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$340 difference are as follows:

Change in deferred property taxes	\$ 823
Reduction in cable TV franchise tax that had been deferred in the fund statements	(17)
Reduction in court fine revenue that had been deferred in the fund statements	<u>(466)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 340</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted using the cash basis of accounting for all governmental funds, which include the general fund and the special revenue funds. A reconciliation is provided on the face of the budget to actual statements which converts the statements from cash basis to GAAP basis. GAAP basis is used for the remaining statements included in the Town's basic financial statements.

**TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

The Board of Aldermen approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year end. The Town's policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Town Council. This policy reflects the legal level of control at which expenditures may not exceed appropriations. As an extension of the budgetary process, the Aldermen may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. These amendments are made in the form of legally adopted budget amendments. The Town had budget amendments during the year.

Under TCA 68-211-874, the Town is required to account for its solid waste collection in a separate fund. The Town accounts for this in a separate sanitation fund which does not qualify as a special revenue fund under generally accepted accounting principles. Accordingly, for fund reporting, the sanitation fund is included as a part of the general fund, but for budgetary reporting is not included as a part of the general fund. Page 23 includes a reconciliation of the general fund budgetary reporting to the general fund reporting on page 14 under generally accepted accounting principles.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits

Custodial Credit Risk

The Town's policies limit deposits and investments to those instruments allowed by applicable state laws and 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 Town's agent in the Town's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Town 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. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2011, all of the Town's deposits were fully collateralized.

B. Receivables

Receivables as of the year end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

Receivables	General	Water and Sewer	Nonmajor Funds	Total
Property taxes	\$ 49,025	\$ -	\$ -	\$ 49,025
Interest	30	70	-	100
Accounts	10,593	16,408	-	27,001
Accounts - court fines	3,575	-	-	3,575
Intergovernmental	21,224	-	2,525	23,749
Gross receivables	84,447	16,478	2,525	103,450
Less: Allowance for uncollectibles	(3,531)	-	-	(3,531)
Net total receivables	<u>\$ 80,916</u>	<u>\$ 16,478</u>	<u>\$ 2,525</u>	<u>\$ 99,919</u>

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Delinquent property taxes receivable	\$ 4,180	\$ -	\$ 4,180
2009 property tax assessment	-	44,191	44,191
Cable TV franchise tax	1,516	-	1,516
Court fines receivable	44	-	44
Total deferred revenue for governmental funds	<u>\$ 5,740</u>	<u>\$ 44,191</u>	<u>\$ 49,931</u>

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 13,800	\$ -	\$ -	\$ 13,800
Capital assets, being depreciated				
Land improvements	103,826	978	-	104,804
Buildings	400,055	-	-	400,055
Equipment	193,498	-	-	193,498
Total capital assets, being depreciated	<u>697,379</u>	<u>978</u>	<u>-</u>	<u>698,357</u>
Less accumulated depreciation for:				
Land improvements	97,300	1,229	-	98,529
Buildings	149,050	10,001	-	159,051
Equipment	183,958	4,974	-	188,932
Total accumulated depreciation	<u>430,308</u>	<u>16,204</u>	<u>-</u>	<u>446,512</u>
Total capital assets, being depreciated, net	<u>267,071</u>	<u>(15,226)</u>	<u>-</u>	<u>251,845</u>
Governmental activities capital assets, net	<u>\$ 280,871</u>	<u>\$ (15,226)</u>	<u>\$ -</u>	<u>\$ 265,645</u>

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Business-type activities:

Capital assets, not being depreciated				
Land	\$ 15,461	\$ -	\$ -	\$ 15,461
Work in process	-	-	-	-
Total capital assets, not being depreciated	<u>15,461</u>	<u>-</u>	<u>-</u>	<u>15,461</u>
Capital assets, being depreciated				
Buildings	274,870	-	-	274,870
Water and sewer plant	1,191,072	-	-	1,191,072
Distribution system	2,068,803	5,150	-	2,073,953
Equipment	23,575	-	-	23,575
Total capital assets, being depreciated	<u>3,558,320</u>	<u>5,150</u>	<u>-</u>	<u>3,563,470</u>
Less accumulated depreciation for:				
Buildings	126,574	6,872	-	133,446
Water and sewer plant	285,137	28,112	-	313,249
Distribution system	710,806	42,702	-	753,508
Equipment	23,450	125	-	23,575
Total accumulated depreciation	<u>1,145,967</u>	<u>77,811</u>	<u>-</u>	<u>1,223,778</u>
Total capital assets, being depreciated, net	<u>2,412,353</u>	<u>(72,661)</u>	<u>-</u>	<u>2,339,692</u>
Business-type capital assets, net	<u>2,427,814</u>	<u>(72,661)</u>	<u>-</u>	<u>2,355,153</u>
Total capital assets, net	<u>\$ 2,708,685</u>	<u>\$ (87,887)</u>	<u>\$ -</u>	<u>\$ 2,620,798</u>

Depreciation expense was charged to the different activities as follows:

Governmental activities:	
General government	\$ 8,416
Public safety	113
Public works	4,114
Health, culture, recreation, and welfare	3,561
Total depreciation expense - governmental	<u>16,204</u>
Business-type activities:	
Water and sewer	<u>77,811</u>
Total depreciation	<u>\$ 94,015</u>

D. Long-term Debt

The Town has a bond issue in the water and sewer fund that originated January 1, 1977, in the amount of \$400,000, with interest at 5%. During the year ended June 30, 1997, the bonds were sold by GE Capital Corporation to GMAC Commercial Mortgage. As of June 30, 2011, the bonds had an outstanding balance of \$84,165 with a current portion due of \$19,339.

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

The Town has a bond issue in the water and sewer fund that originated May 23, 2005, in the amount of \$575,000, with interest at 4.25%. As of June 30, 2011, the bonds had an outstanding balance of \$532,841 with a current portion due of \$7,982.

The Town has a bond issue in the water and sewer fund that originated in December 2005, in the amount of \$75,000, with interest at 4.25%. As of June 30, 2011, the bonds had an outstanding balance of \$70,671 with a current portion due of \$893.

The annual requirements to amortize all long-term debt and obligations outstanding, excluding compensated absences, as of June 30, 2011, are as follows:

Year ending June 30,	Principal	Interest	Total
2012	\$ 28,214	\$ 30,074	\$ 58,288
2013	29,650	28,638	58,288
2014	31,099	27,189	58,288
2015	33,283	25,674	58,957
2016	10,537	24,035	34,572
2017 - 2021	60,253	112,607	172,860
2022 - 2026	74,580	98,280	172,860
2027 - 2031	92,315	80,545	172,860
2032 - 2036	114,246	58,614	172,860
2037 - 2041	141,457	31,403	172,860
2042 - 2046	72,043	4,098	76,141
	<u>\$ 687,677</u>	<u>\$ 521,157</u>	<u>\$ 1,208,834</u>

The following is a summary of long-term debt transactions for the year ended June 30, 2011:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 7,594	\$ -	\$ -	\$ 7,594	\$ -
Business-type activities:					
Bonds	\$ 714,638	\$ -	\$ 26,961	\$ 687,677	\$ 28,214
Compensated absences	2,362	-	-	2,362	-
Bonds	<u>\$ 717,000</u>	<u>\$ -</u>	<u>\$ 26,961</u>	<u>\$ 690,039</u>	<u>\$ 28,214</u>

NOTE 5 - OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, auto liability, errors and omissions, and auto physical damage

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

coverage. The City joined the Tennessee Municipal League Risk Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The Pool is a cooperative risk sharing arrangement that works in many ways like a traditional insurer. The City pays annual premiums to the Pool for its general liability, auto liability, real and personal property damage, workman's compensation, and errors and omissions policies. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The City's premiums are calculated based on its prior claims history. It is the policy of the City to purchase commercial insurance for the risks of employee dishonesty and excess liability. Settled claims have not exceeded this commercial coverage or the coverage provided by the Pool in any of the past three years.

B. 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 Town's management expects such amounts, if any, to be immaterial.

C. Employee Retirement Systems and Pension Plans

Plan Description

Employees of the Town 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 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, Tennessee 37243-0230 or can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Funding Policy

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

The Town is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011, was 3.48% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Town is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2011, the Town's annual pension cost of \$6,127 to TCRS was equal to the Town's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen initial liability 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 of salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) 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 five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 7 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	\$ 6,127	100.00%	\$ -
6/30/2010	5,802	100.00%	-
6/30/2009	6,111	100.00%	-

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 92.31% funded. The actuarial accrued liability for benefits was \$0.31 million, and the actuarial value of assets was \$0.28 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.02 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.19 million, and the ratio of the UAAL to the covered payroll was 12.32%.

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

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BIG SANDY, TENNESSEE
SCHEDULE OF FUNDING PROGRESS - EMPLOYEE RETIREMENT SYSTEM
 June 30, 2011

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ 282	\$ 306	\$ 24	92.31%	\$ 191	12.32%
July 1, 2007	\$ 251	\$ 233	\$ (18)	107.73%	\$ 181	-9.94%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the Entry Age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entity Age actuarial cost method was a change made during the year, and therefore only the most current year is presented.

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION SECTION

TOWN OF BIG SANDY, TENNESSEE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2011

	Drug Fund	State Street Aid Fund	Total Other Governmental Funds
Assets			
Cash and cash equivalents	\$ 20,656	\$ 1,679	\$ 22,335
Receivables:			
Intergovernmental	-	2,525	2,525
Total assets	\$ 20,656	\$ 4,204	\$ 24,860
Fund balances			
Restricted	\$ 20,656	\$ 4,204	\$ 24,860
Total fund balances	20,656	4,204	24,860
Total fund balances	\$ 20,656	\$ 4,204	\$ 24,860

See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For The Fiscal Year Ended June 30, 2011

	Drug Fund	State Street Aid Fund	Total Other Governmental Funds
Revenues			
Intergovernmental	\$ -	\$ 14,157	\$ 14,157
Fines and forfeitures	2,016	-	2,016
Other	<u>20</u>	<u>-</u>	<u>20</u>
Total revenues	<u>2,036</u>	<u>14,157</u>	<u>16,193</u>
Expenditures			
Current			
Public safety	221	-	221
Public works	<u>-</u>	<u>12,886</u>	<u>12,886</u>
Total expenditures	<u>221</u>	<u>12,886</u>	<u>13,107</u>
Net changes in fund balances	1,815	1,271	3,086
Fund balance - beginning	<u>18,841</u>	<u>2,933</u>	<u>21,774</u>
Fund balance - ending	<u>\$ 20,656</u>	<u>\$ 4,204</u>	<u>\$ 24,860</u>

See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Then Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance-
	<u>Original</u>	<u>Final</u>		Over (Under)
Revenues				
Fines and forfeitures	\$ 2,000	\$ 2,000	\$ 2,016	\$ 16
Interest	20	20	20	-
Total revenues	<u>2,020</u>	<u>2,020</u>	<u>2,036</u>	<u>16</u>
Expenditures				
Current				
Public safety				
Police				
Clerk's fees	100	100	101	1
Drug and alcohol schools	500	500	-	(500)
Drug operations	500	500	-	(500)
Training	100	100	20	(80)
Rewards	200	200	-	(200)
Contributions	100	100	100	-
Total expenditures	<u>1,500</u>	<u>1,500</u>	<u>221</u>	<u>(1,279)</u>
Net changes in fund balances	<u>\$ 520</u>	<u>\$ 520</u>	<u>1,815</u>	<u>\$ 1,295</u>
Fund balance - beginning			<u>18,841</u>	
Fund balance - ending			20,656	
Explanation of differences:				
(1) The Town budgets for revenues and expenses on the cash basis rather than on the modified accrual basis			<u>-</u>	
Net increase in fund balances - budget to GAAP			<u>\$ 20,656</u>	

See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Variance- Over (Under)
Revenues	Original	Final	Actual	
Gasoline tax, State of Tennessee	\$ 13,627	\$ 14,159	\$ 14,159	\$ -
Total revenues	13,627	14,159	14,159	-
 Expenditures				
Current				
Public works:				
City streets:				
Street lights	13,627	14,700	14,598	(102)
Total expenditures	13,627	14,700	14,598	(102)
Net changes in fund balances	\$ -	\$ (541)	(439)	\$ 102
Fund balance - beginning			2,933	
Fund balance - ending			2,494	
 Explanation of differences				
(1) The Town budgets for revenues and expenses on the cash basis rather than on the modified accrual basis			1,710	
Net increase in fund balances - budget to GAAP			\$ 4,204	

See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
SOLID WASTE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2011

Revenues	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Charges for services	\$ 50,780	\$ 51,000	\$ 52,454	\$ 1,454
Interest	50	30	29	(1)
Total revenues	50,830	51,030	52,483	1,453
 Expenditures				
Current				
Public works				
Sanitation				
Salary	26,800	28,600	28,563	(37)
Payroll taxes	2,093	2,290	2,232	(58)
Health insurance	6,657	6,568	6,568	-
Retirement	885	885	889	4
Supplies	1,000	1,000	885	(115)
Miscellaneous	-	202	202	-
Insurance	2,400	2,115	2,115	-
Repairs and maintenance	3,600	1,000	626	(374)
Gas and oil	5,000	5,500	5,025	(475)
Total expenditures	48,435	48,160	47,105	(1,055)
Net changes in fund balances	\$ 2,395	\$ 2,870	5,378	\$ 2,508
Fund balance - beginning			30,559	
Fund balance - ending			35,937	
 Explanation of differences				
(1) The Town budgets for revenues and expenses on the cash basis rather than on the modified accrual basis			25	
Net increase in fund balances - budget to GAAP			\$ 35,962	

The accompanying notes are an integral part of the financial statements.

**TOWN OF BIG SANDY, TENNESSEE
WATER AND SEWER FUND
DETAILED SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
For The Fiscal Year Ended June 30, 2011**

	Actual
Operating revenues	
Water sales	\$ 130,660
Sewer revenue	66,730
Tap fees	2,000
Reconnect fees	2,400
Rental	6,200
Miscellaneous	2,288
Penalties	4,477
Total operating revenues	214,755
Operating expenses	
Salaries	45,294
Payroll taxes	3,550
Health insurance	13,095
Retirement	1,576
Contract labor	8,875
Insurance	9,735
Repairs and maintenance	11,220
Supplies	4,309
Chemicals	7,638
Postage	1,553
State fees	3,345
Utilities	29,607
Telephone	4,677
Travel	2,260
Dues and subscriptions	1,371
Billing	758
Analysis	912
Miscellaneous	562
Depreciation	77,811
Total operating expenses	228,148
Operating income (loss)	(13,393)
Nonoperating revenues (expenses)	
Interest earned	4,328
Interest expense	(30,862)
Total nonoperating revenues (expenses)	(26,534)
Capital contributions	1,577
Change in net assets	(38,350)
Total net assets - beginning	2,118,830
Total net assets - ending	\$ 2,080,480

See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
For The Fiscal Year Ended June 30, 2011

<u>Tax Levy for Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Beginning Outstanding Taxes</u>	<u>Additions and Adjustments</u>	<u>Collections</u>	<u>Ending Outstanding Taxes</u>
2011	\$ 0.87	\$ 44,191	\$ -	\$ 44,179	\$ 40,466	\$ 3,713
2010	0.87	40,325	2,710	-	2,125	585
2009	0.87	38,378	478	-	208	270
2008	0.87	38,385	330	-	80	250
2007	0.87	38,249	88	-	80	8
2006	0.87	37,785	88	-	80	8
2005	0.87	37,785	66	-	66	-
2004	0.71	28,810	66	-	66	-
2003	0.71	28,519	-	-	-	-
2002	0.71	25,469	-	-	-	-
			<u>\$ 3,826</u>	<u>\$ 44,179</u>	<u>\$ 43,171</u>	<u>4,834</u>

Above balances represented as follows:

Considered current revenue

654

Deferred revenue

4,180

4,834

Estimated 2011 tax levy not collectible until 10/1/2011

44,191

\$ 49,025

All delinquent taxes are filed with chancery court.

See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
SCHEDULE OF WATER AND SEWER RATES IN FORCE - UNAUDITED
 June 30, 2011

Rates Inside City Limits

Water

2,000 Gallon Minimum	13.76
2,000 - 7,500 Gallons	5.24 per 1,000
7,500 - 12,500 Gallons	4.76 per 1,000
Over 12,500 Gallons	4.43 per 1,000

Sewer

2,000 Gallon Minimum	12.60
2,000 - 7,500 Gallons	4.80 per 1,000
7,500 - 12,500 Gallons	4.36 per 1,000
Over 12,500 Gallons	4.06 per 1,000

Sanitation

9.00

Rates Outside City Limits

Water

2,000 Gallon Minimum	20.65
2,000 - 7,500 Gallons	7.86 per 1,000
7,500 - 12,500 Gallons	7.13 per 1,000
Over 12,500 Gallons	6.64 per 1,000

Sanitation

9.00

Number of customers

Water	435
Sewer	277
Sanitation	376

See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER - UNAUDITED
 June 30, 2011

(All amounts in gallons)

A	Water Treated and Purchased:		
B	Water Pumped (potable)	25,753,400	
C	Water Purchased	0	
D	Total Water Treated and Purchased (Sum Lines B and C)		25,753,400
E	Accounted for Water:		
F	Water Sold	16,857,200	
G	Metered for Consumption (in house usage)	0	
H	Fire Department(s) Usage	22,050	
I	Flushing	921,945	
J	Tank Cleaning/Filling	705,500	
K	Street Cleaning	0	
L	Bulk Sales	10,000	
M	Water Bill Adjustments / plus or (minus)	0	
N	Total Accounted for Water (Sum Lines F thru M)		18,516,695
O	Unaccounted for Water (Lines D minus Line N)		7,236,705
P	Percent Unaccounted for Water (Line O divided by Line D times 100)		28.10%
Q	Other (explain)	See Below	

Explain Other:

0

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

See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
SCHEDULE OF LONG-TERM DEBT
June 30, 2011

Year Ended June 30,	1977 Bond Issue		2004 USDA Loan		2005 USDA Loan		Totals		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
2012	\$ 19,339	\$ 4,377	\$ 7,982	\$ 22,594	\$ 893	\$ 3,103	\$ 28,214	\$ 30,074	\$ 58,288
2013	20,328	3,388	8,390	22,186	932	3,064	29,650	28,638	58,288
2014	21,368	2,348	8,756	21,820	975	3,021	31,099	27,189	58,288
2015	23,130	1,255	9,135	21,441	1,018	2,978	33,283	25,674	58,957
2016	-	-	9,473	21,103	1,064	2,932	10,537	24,035	34,572
2017	-	-	9,943	20,633	1,112	2,884	11,055	23,517	34,572
2018	-	-	10,375	20,201	1,163	2,833	11,538	23,034	34,572
2019	-	-	10,825	19,751	1,214	2,782	12,039	22,533	34,572
2020	-	-	11,242	19,334	1,269	2,727	12,511	22,061	34,572
2021	-	-	11,783	18,793	1,327	2,669	13,110	21,462	34,572
2022	-	-	12,295	18,281	1,386	2,610	13,681	20,891	34,572
2023	-	-	12,829	17,747	1,448	2,548	14,277	20,295	34,572
2024	-	-	13,338	17,238	1,514	2,482	14,852	19,720	34,572
2025	-	-	13,964	16,612	1,582	2,414	15,546	19,026	34,572
2026	-	-	14,571	16,005	1,653	2,343	16,224	18,348	34,572
2027	-	-	15,203	15,373	1,728	2,268	16,931	17,641	34,572
2028	-	-	15,823	14,753	1,805	2,191	17,628	16,944	34,572
2029	-	-	16,550	14,026	1,887	2,109	18,437	16,135	34,572
2030	-	-	17,269	13,307	1,972	2,024	19,241	15,331	34,572
2031	-	-	18,018	12,558	2,060	1,936	20,078	14,494	34,572
2032	-	-	18,768	11,808	2,153	1,843	20,921	13,651	34,572
2033	-	-	19,616	10,960	2,250	1,746	21,866	12,706	34,572
2034	-	-	20,467	10,109	2,352	1,644	22,819	11,753	34,572
2035	-	-	21,355	9,221	2,457	1,539	23,812	10,760	34,572
2036	-	-	22,260	8,316	2,568	1,428	24,828	9,744	34,572
2037	-	-	23,250	7,326	2,684	1,312	25,934	8,638	34,572
2038	-	-	24,258	6,318	2,804	1,192	27,062	7,510	34,572
2039	-	-	25,311	5,265	2,931	1,065	28,242	6,330	34,572
2040	-	-	26,400	4,176	3,062	934	29,462	5,110	34,572
2041	-	-	27,556	3,020	3,201	795	30,757	3,815	34,572
2042	-	-	28,753	1,823	3,344	652	32,097	2,475	34,572
2043	-	-	27,083	575	3,496	500	30,579	1,075	31,654
2044	-	-	-	-	3,652	344	3,652	344	3,996
2045	-	-	-	-	3,817	179	3,817	179	3,996
2046	-	-	-	-	1,898	25	1,898	25	1,923
	<u>\$ 84,165</u>	<u>\$ 11,368</u>	<u>\$ 532,841</u>	<u>\$ 442,673</u>	<u>\$ 70,671</u>	<u>\$ 67,116</u>	<u>\$ 687,677</u>	<u>\$ 521,157</u>	<u>\$ 1,208,834</u>

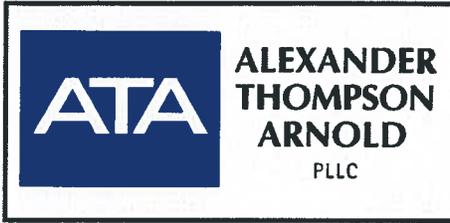
See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2011

	<u>CFDA Number</u>	<u>Beginning Balance 7/1/2010</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Balance 6/30/2011</u>
Federal Emergency Management Agency					
Passed through the Tennessee Emergency Management Agency					
Disaster Grants - Public Assistance	97.036	\$ -	\$ 5,063	\$ 5,063	\$ -

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



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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*

Mayor and Board of Alderman
Town of Big Sandy, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Big Sandy, Tennessee (the Town) as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 28, 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 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.

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 first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as 97-02 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Mayor and Board of Alderman
Town of Big Sandy, Tennessee

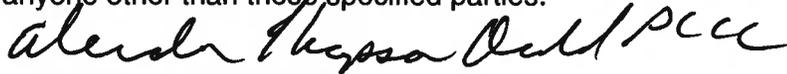
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as 11-01.

We noted certain matters that we reported to management of Town of Big Sandy, Tennessee, in a separate letter dated October 28, 2011.

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

This report is intended solely for the information and use of management, the Board of Mayor and Alderman, others within the entity, and 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.



Certified Public Accountant
Jackson, Tennessee
October 28, 2011

TOWN OF BIG SANDY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

SECTION II - FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

97-02 Segregation of Duties (Significant Deficiency)

Condition: The Town of Big Sandy does not have a complete separation of duties for accounting functions.

Criteria: Proper segregation of duties involves separating the functions of recording transactions, posting to the general ledger, and reconciling general ledger accounts.

Effect: When accounting functions are not adequately segregated, the risk of errors and irregularities occurring and not being detected in a timely manner increases.

Recommendation: Controls should be used to ensure some separation of the cash, record keeping, and reconciliation procedures for all areas of the internal control system.

Response: The Town has separated accounting functions to the extent that it can be done with the limited staff available.

11-01 Conflict of Interest (Immaterial Noncompliance)

Condition: During the fiscal year the Town made purchases totaling \$1,414 for repairs to Town owned vehicles from a board member in violation of TCA 12-4-101.

Criteria: TCA 12-4-101 states, "It is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county, state, developmental district, utility district, human resource agency, or other political subdivision created by statute shall or may be interested, to be directly interested in any such contract."

Effect: When purchases are made from a business that is owned by a board member or employee, it is in violation of the state conflict of interest statute if there are other entities to make the purchase from.

Recommendation: We recommend that the Town not make purchases from any related parties to be in compliance with state statute.

Response: In the past, purchases for city vehicle repair and maintainance were made at Melton's Service Station in Big Sandy because it was the only such repair service in the town. It would impose an inconvenience for the city to have to travel to either Camden or Paris to get such repairs done. However, in that there now is another auto repair shop in Big Sandy, we will strive to use Big Sandy Auto for services that are available at this business. I trust that this will keep us in compliance with state statues.

The other prior year findings were corrected.