

TOWN OF CLARKSBURG, TENNESSEE

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2011

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TOWN OF CLARKSBURG, TENNESSEE
SCHEDULE OF OFFICIALS
June 30, 2011

Gary O'Brien, Chairman
Natelle Waugh, Vice-chairman
Linda Reed

Parks Board
Linda Parker
Patsy Haywood
June Murphy

Terry McCoy, City Recorder/Court Clerk

FINANCIAL SECTION



Certified Public Accountants

www.atacpa.net

16208 Highland Drive
McKenzie, TN 38201

Telephone: (731) 352-3513
(800) 273-3241
Fax: (731) 352-2919

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Independent Auditor's Report

Mayor and Board of Aldermen
Town of Clarksburg, 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 Clarksburg, Tennessee, 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 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 of Clarksburg, Tennessee, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2012, on our consideration of the Town of Clarksburg'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.

Mayor and Board of Aldermen
Town of Clarksburg, Tennessee

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information 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 other supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The 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.

Alexander Thompson Arnold PLLC

McKenzie, Tennessee
February 28, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Clarksburg, Tennessee, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Clarksburg exceeded its liabilities at the close of the most recent fiscal year by \$1.49 million (*net assets*).
- As of the close of the current fiscal year, the Town of Clarksburg's general fund reported an ending fund balance of \$217 thousand, an increase of \$36 thousand in comparison with the prior year. Of the total fund balance, the entire amount is available for spending at the Town of Clarksburg's discretion (*unassigned fund balance*).
- The Town of Clarksburg's total debt obligations decreased by \$24 thousand during the year, all attributable to principal payments on outstanding debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains other required 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 Clarksburg'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.).

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, welfare, and recreation. The business-type activities of the Town consist of a sewer system. The government-wide financial statements can be found on pages 8 to 9 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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. The Town has three governmental funds and a proprietary fund.

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 10 to 13 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, a major fund, and presents combined information for the two nonmajor funds, the State Street Aid Fund and the Drug Fund.

The Town adopts an annual appropriated budget for each governmental fund. Budgetary comparison statements have been provided on pages 14, 28, and 29 of this report.

Proprietary funds - Proprietary funds are used to account for the business-type activities of the Town. The measurement focus is the same as for the government-wide financial statements. The Town has one proprietary fund, the Sewer Fund.

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 19 to 25 of this report.

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 \$1.49 million at the close of the most recent fiscal year. The largest portion of the Town's net assets (82.5%), representing the investment in capital assets, net of related debt, are capital assets used to provide services to citizens. Net assets of \$11.5 thousand (.7%) are restricted for state street aid and drug fund expenditures. The remaining balance of net assets (16.8%) represents unrestricted net assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 241,494	\$ 217,055	\$ 26,388	\$ 34,854	\$ 267,882	\$ 251,909
Capital assets	235,168	247,612	1,397,906	1,416,827	1,633,074	1,664,439
Total assets	476,662	464,667	1,424,294	1,451,681	1,900,956	1,916,348
Current liabilities	4,785	6,433	-	-	4,785	6,433
Other liabilities	2,430	-	408,274	432,246	410,704	432,246
Total liabilities	7,215	6,433	408,274	432,246	415,489	438,679
Net assets:						
Invested in capital assets, net of related debt	235,168	247,612	989,632	984,581	1,224,800	1,232,193
Restricted	11,503	19,902	-	-	11,503	19,902
Unrestricted	222,776	190,720	26,388	34,854	249,164	225,574
Total net assets	\$ 469,447	\$ 458,234	\$ 1,016,020	\$ 1,019,435	\$ 1,485,467	\$ 1,477,669

During the current fiscal year, the Town's net assets increased by \$8 thousand. This increase was due to the decrease in liabilities, offset by the decrease in total assets, mainly attributable to depreciation of capital assets.

Statement of Activities - Expenditures in governmental activities exceeded program revenues by \$79 thousand. These expenditures were offset by general revenues of \$90 thousand, for a net increase in net assets of \$11 thousand. Expenses in business-type activities exceeded revenues by \$3 thousand.

Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 113,656	\$ 92,065	\$ 56,394	\$ 51,876	\$ 170,050	\$ 143,941
Operating grants and contributions	10,232	14,451	-	-	10,232	14,451
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Taxes	88,383	86,279	-	-	88,383	86,279
Other sources	1,353	6,211	-	-	1,353	6,211
Total revenues	\$ 213,624	\$ 199,006	\$ 56,394	\$ 51,876	\$ 270,018	\$ 250,882

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Expenses:						
General government	\$ 90,685	\$ 89,774	\$ -	\$ -	\$ 90,685	\$ 89,774
Public safety	65,582	69,624	-	-	65,582	69,624
Public works	30,914	36,823	-	-	30,914	36,823
Parks and recreation	15,230	19,693	-	-	15,230	19,693
Sewer	-	-	59,809	57,748	59,809	57,748
Total expenses	<u>202,411</u>	<u>215,914</u>	<u>59,809</u>	<u>57,748</u>	<u>262,220</u>	<u>273,662</u>
Change in net assets	<u>11,213</u>	<u>(16,908)</u>	<u>(3,415)</u>	<u>(5,872)</u>	<u>7,798</u>	<u>(22,780)</u>
Net assets - beginning	458,234	473,986	1,019,435	1,025,307	1,477,669	1,499,293
Prior period adjustment	-	1,156	-	-	-	1,156
Net assets - beg - as restated	<u>458,234</u>	<u>475,142</u>	<u>1,019,435</u>	<u>1,025,307</u>	<u>1,477,669</u>	<u>1,500,449</u>
Net assets - ending	<u>\$ 469,447</u>	<u>\$ 458,234</u>	<u>\$ 1,016,020</u>	<u>\$ 1,019,435</u>	<u>\$ 1,485,467</u>	<u>\$ 1,477,669</u>

The increase in revenues was due to a \$21.5 thousand increase in police citations and fines. All other revenues and expenses remained relatively steady.

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 96.4% of governmental fund revenues. Accordingly this discussion will focus on the general fund. General fund balance was \$217 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 were \$14 thousand more than last year. The major increase was in court costs and fines. Expenses decreased by \$3 thousand, mainly attributable to the decrease in parks expenditures. Other expenses were within reasonable variances from last year. A budget comparison statement has been provided to demonstrate compliance with the budget.

Proprietary funds - The Town of Clarksburg has one proprietary fund, the Sewer Fund. Charges for services increased slightly from last year and expenses remained steady.

Budgetary highlights - The Town made no revisions to the original appropriations approved by the Board of Aldermen for the governmental funds.

Actual revenues for the General Fund were \$30 thousand more than budgeted revenues. Expenditures exceeded budgeted amounts by only \$1,139. Significant variances are as follows:

- The Town received \$22 thousand more than was budgeted for city court fines and costs.
- Other revenues were \$3 thousand more than the amount budgeted.
- General government expenditures were under budget by \$10 thousand, while public safety, public works, and recreation expenditures were over budget, for a net of \$1 thousand over budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - At the end of fiscal year 2011, the Town had invested over \$1.6 million, net of accumulated depreciation, in a variety of capital assets. As allowed by GASB Statement No. 34, the Town reported original infrastructure (streets, sidewalks, bridges, etc.). Additional information on the Town's capital assets can be found in Notes 1D and 3B beginning on page 21 of this report.

Long-term debt - At the end of the current fiscal year, the Town of Clarksburg had total debt outstanding of \$408 thousand. The total amount was backed by the full faith and credit of the Town of Clarksburg. Additional information on the Town of Clarksburg's long-term debt can be found in Note 3D beginning on page 24 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

When the latest phase of the CDBG project was completed, several new sewer customers were added. As a result, the Town has contracted with Clarksburg Utility District to calculate and bill the sewer customers for the Town. The current sewer system has approximately 42 customers, including the Town and the local school.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Clarksburg's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the Town of Clarksburg'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 Clarksburg, P.O. Box 117, Clarksburg, TN 38324.

TOWN OF CLARKSBURG, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 130,306	\$ 24,443	\$ 154,749
Certificate of deposit	86,807	-	86,807
Receivables:			
Accounts	-	1,945	1,945
Intergovernmental	16,331	-	16,331
Interest	171	-	171
Prepaid insurance	7,879	-	7,879
Capital assets not being depreciated:			
Land	105,675	-	105,675
Capital assets net of accumulated depreciation:			
Buildings	57,282	-	57,282
Improvements other than buildings	25,663	-	25,663
Machinery and equipment	403	-	403
Streets and improvements	46,145	-	46,145
Utility plant in service	-	1,397,906	1,397,906
Total assets	<u>476,662</u>	<u>1,424,294</u>	<u>1,900,956</u>
LIABILITIES			
Accounts payable	2,343	-	2,343
Other payables	2,442	-	2,442
Accrued vacation	2,430	-	2,430
Notes payable:			
Due within one year	-	24,468	24,468
Due in more than one year	-	383,806	383,806
Total liabilities	<u>7,215</u>	<u>408,274</u>	<u>415,489</u>
NET ASSETS			
Invested in capital assets, net of related debt	235,168	989,632	1,224,800
Restricted for:			
State street aid	8,548	-	8,548
Drug-related activities	2,955	-	2,955
Unrestricted	222,776	26,388	249,164
Total net assets	<u>\$ 469,447</u>	<u>\$ 1,016,020</u>	<u>\$ 1,485,467</u>

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

TOWN OF CLARKSBURG, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 90,685	\$ 1,985	\$ -	\$ -	\$ (88,700)	\$ -	\$ (88,700)
Public safety	65,582	111,671	-	-	46,089	-	46,089
Public works	30,914	-	8,380	-	(22,534)	-	(22,534)
Health, welfare, and recreation	15,230	-	1,852	-	(13,378)	-	(13,378)
Total governmental activities	<u>202,411</u>	<u>113,656</u>	<u>10,232</u>	<u>-</u>	<u>(78,523)</u>	<u>-</u>	<u>(78,523)</u>
Business-type Activities:							
Sewer	59,809	56,394	-	-	-	(3,415)	(3,415)
Total primary government	<u>\$ 262,220</u>	<u>\$ 170,050</u>	<u>\$ 10,232</u>	<u>\$ -</u>	<u>(78,523)</u>	<u>(3,415)</u>	<u>(81,938)</u>
General revenues:							
					3,207	-	3,207
					84,697	-	84,697
					149	-	149
					330	-	330
					207	-	207
					1,146	-	1,146
					<u>89,736</u>	<u>-</u>	<u>89,736</u>
					11,213	(3,415)	7,798
					457,078	1,019,435	1,476,513
					<u>1,156</u>	<u>-</u>	<u>1,156</u>
					<u>458,234</u>	<u>1,019,435</u>	<u>1,477,669</u>
					<u>\$ 469,447</u>	<u>\$ 1,016,020</u>	<u>\$ 1,485,467</u>

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

TOWN OF CLARKSBURG, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 119,505	\$ 10,801	\$ 130,306
Certificate of deposit	86,807	-	86,807
Receivables:			
Intergovernmental	14,748	1,583	16,331
Interest	171	-	171
Prepaid insurance	7,879	-	7,879
Total assets	<u>\$ 229,110</u>	<u>\$ 12,384</u>	<u>\$ 241,494</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 2,343	\$ -	\$ 2,343
Other payables	2,442	-	2,442
Deferred revenue	7,594	881	8,475
Total liabilities	<u>12,379</u>	<u>881</u>	<u>13,260</u>
 Fund balance			
Restricted for:			
State street aid	-	8,548	8,548
Drug-related activities	-	2,955	2,955
Unassigned	216,731	-	216,731
Total fund balance	<u>216,731</u>	<u>11,503</u>	<u>228,234</u>
 Total liabilities and fund balance	 <u>\$ 229,110</u>	 <u>\$ 12,384</u>	 <u>\$ 241,494</u>

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

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

Fund balance - total governmental funds (page 10)	\$ 228,234
Amounts reported for the governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds	235,168
Receivables that are not available to pay for current expenditures are deferred in the funds.	8,475
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,430)</u>
Net assets - governmental activities (page 8)	<u>\$ 469,447</u>

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

TOWN OF CLARKSBURG, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Local taxes	\$ 65,377	\$ -	\$ 65,377
Intergovernmental revenue	23,290	7,768	31,058
Fines, forfeits and penalties	111,671	-	111,671
Other revenues	5,183	7	5,190
Total revenues	<u>205,521</u>	<u>7,775</u>	<u>213,296</u>
EXPENDITURES			
Current			
General government	86,006	-	86,006
Public safety	64,452	-	64,452
Public works	13,416	3,777	17,193
Health, welfare and recreation	9,765	-	9,765
Capital outlay			
Public works	-	12,393	12,393
Total expenditures	<u>173,639</u>	<u>16,170</u>	<u>189,809</u>
Revenues over (under) expenditures	<u>31,882</u>	<u>(8,395)</u>	<u>23,487</u>
Fund balance - July 1, 2010	181,418	19,902	201,320
Prior period adjustment	3,431	(4)	3,427
Fund balance - July 1, 2010, as restated	<u>184,849</u>	<u>19,898</u>	<u>204,747</u>
Fund balance - June 30, 2011	<u>\$ 216,731</u>	<u>\$ 11,503</u>	<u>\$ 228,234</u>

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

TOWN OF CLARKSBURG, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

Net change in fund balance - total governmental funds (Page 12) \$ 23,487

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

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.

Capital outlay	12,393	
Depreciation	<u>(24,836)</u>	
Amount by which depreciation exceeded capital outlay in the current period		(12,443)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		328
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Expense reported in the statement of activities for compensated absences does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.		<u>(159)</u>
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Change in net assets of governmental activities (Page 9) \$ 11,213

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

TOWN OF CLARKSBURG, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
REVENUES				
Local Taxes				
Local sales tax - county	\$ 63,000	\$ 63,000	\$ 65,377	\$ 2,377
Intergovernmental Revenue				
TVA in lieu of tax	-	-	3,207	3,207
State sales tax	20,700	20,700	18,972	(1,728)
State telecommunications sales tax	-	-	20	20
State income tax	-	-	330	330
State beer tax	-	-	149	149
State highway and street funds	-	-	612	612
Total intergovernmental revenue	<u>20,700</u>	<u>20,700</u>	<u>23,290</u>	<u>2,590</u>
Fines, Forfeits and Penalties				
City court fines and costs	<u>90,000</u>	<u>90,000</u>	<u>111,671</u>	<u>21,671</u>
Other Revenues				
Interest earnings	100	100	1,139	1,039
Rental income	1,700	1,700	1,985	285
Miscellaneous income	-	-	2,059	2,059
Total other revenues	<u>1,800</u>	<u>1,800</u>	<u>5,183</u>	<u>3,383</u>
Total revenues	<u>175,500</u>	<u>175,500</u>	<u>205,521</u>	<u>30,021</u>
EXPENDITURES				
General Government				
Salaries	29,000	29,000	26,065	(2,935)
Mayor and aldermen	-	-	4,700	4,700
Payroll taxes	6,000	6,000	4,714	(1,286)
Unemployment taxes	-	-	93	93
Dues	-	-	132	132
City Hall utilities	6,000	6,000	7,029	1,029
City-sponsored events	4,500	4,500	2,580	(1,920)
Audit fees	5,000	5,000	6,425	1,425
Other professional services	-	-	7,085	7,085
City Hall repair and maintenance	1,500	1,500	2,199	699
Travel	-	-	656	656
CMFO expense	-	-	582	582
Office supplies	1,000	1,000	75	(925)
City Hall supplies	-	-	731	731
Election expense	400	400	350	(50)
Insurance	19,200	19,200	12,661	(6,539)
Donations	8,000	8,000	6,726	(1,274)
Miscellaneous	<u>15,000</u>	<u>15,000</u>	<u>3,203</u>	<u>(11,797)</u>
Total general government	<u>95,600</u>	<u>95,600</u>	<u>86,006</u>	<u>(9,594)</u>

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

TOWN OF CLARKSBURG, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance Over (Under)
Public Safety				
Police				
Salaries	38,000	38,000	31,234	(6,766)
Postage	-	-	89	89
City Judge	-	-	2,700	2,700
Storm sirens	3,000	3,000	272	(2,728)
Repair and maintenance	13,000	13,000	5,334	(7,666)
Office supplies	-	-	1,683	1,683
Operating supplies	-	-	3,701	3,701
Police litigation tax and other fees	-	-	7,896	7,896
Gas	6,200	6,200	5,732	(468)
Driving school fees and expenses	-	-	4,487	4,487
Sheriff's department	-	-	750	750
Miscellaneous	-	-	574	574
Total police	<u>60,200</u>	<u>60,200</u>	<u>64,452</u>	<u>4,252</u>
Public Works				
Street Department				
Street lights	<u>12,000</u>	<u>12,000</u>	<u>13,416</u>	<u>1,416</u>
Health, Welfare and Recreation				
Parks and Recreation				
Park electricity	1,200	1,200	928	(272)
Park maintenance	3,000	3,000	5,707	2,707
Park supplies	500	500	2,241	1,741
Arboretum and gazebo	-	-	519	519
Pancake breakfast	-	-	236	236
Christmas float expenses	-	-	79	79
Miscellaneous park expenses	-	-	55	55
Total parks and recreation	<u>4,700</u>	<u>4,700</u>	<u>9,765</u>	<u>5,065</u>
Total expenditures	<u>172,500</u>	<u>172,500</u>	<u>173,639</u>	<u>1,139</u>
Revenues over expenditures	3,000	3,000	31,882	28,882
Other Financing Sources (Uses)				
Transfers in (out)	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>	<u>3,000</u>
Net change in fund balance	-	-	31,882	31,882
Fund balance - July 1, 2010	181,418	181,418	181,418	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>3,431</u>	<u>3,431</u>
Fund balance - July 1, 2010, as restated	<u>181,418</u>	<u>181,418</u>	<u>184,849</u>	<u>3,431</u>
Fund Balance - June 30, 2011	<u>\$ 181,418</u>	<u>\$ 181,418</u>	<u>\$ 216,731</u>	<u>\$ 35,313</u>

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

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

	<u>Sewer Fund</u>
ASSETS	
Current assets	
Cash in bank	\$ 24,443
Accounts receivable	1,945
Total current assets	<u>26,388</u>
Noncurrent assets	
Property, plant and equipment:	
Sewer plant in operation	1,542,077
Accumulated depreciation	<u>(144,171)</u>
Net property, plant and equipment	<u>1,397,906</u>
Total assets	<u>1,424,294</u>
LIABILITIES	
Current liabilities	
Current portion of notes payable	<u>24,468</u>
Long-term liabilities	
Notes payable	408,274
Less current portion	<u>(24,468)</u>
Net long-term liabilities	<u>383,806</u>
Total liabilities	<u>408,274</u>
NET ASSETS	
Invested in capital assets, net of related debt	989,632
Unrestricted	<u>26,388</u>
Total net assets	<u>\$ 1,016,020</u>

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

TOWN OF CLARKSBURG, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2011

	Sewer Fund
Operating revenues	
Charges for services	\$ 56,394
Operating expenses	
Purchased power	22,077
Administrative and general expense	464
Depreciation	30,608
Total operating expenses	53,149
Income (loss) from operations	3,245
Non-operating revenues (expenses)	
Interest expense	(6,660)
Change in net assets	(3,415)
Total net assets - July 1, 2010	1,019,435
Total net assets - June 30, 2011	\$ 1,016,020

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

TOWN OF CLARKSBURG, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year ended June 30, 2011

	<u>Sewer Fund</u>
Cash flows from operating activities:	
Cash received from consumers	\$ 56,939
Cash paid to suppliers of goods and services	<u>(22,541)</u>
Net cash provided by operating activities	<u>34,398</u>
Cash flows from capital and related financing activities:	
Payments on notes payable	(23,972)
Additions to utility plant	(11,687)
Interest and other non-operating expenses	<u>(6,660)</u>
Net cash used by capital and related financing activities	<u>(42,319)</u>
Net decrease in cash and cash equivalents	(7,921)
Cash and cash equivalents - July 1, 2010	<u>32,364</u>
Cash and cash equivalents - June 30, 2011	<u>\$ 24,443</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Income (loss) from operations	\$ 3,245
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:	
Depreciation	30,608
Decrease in accounts receivable	<u>545</u>
Net cash provided by operating activities	<u>\$ 34,398</u>

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

TOWN OF CLARKSBURG, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Clarksburg was incorporated in 1968. The Town operates under a mayor-aldermen form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, social services, culture/recreation, public improvements, planning and zoning, sewer and general administrative services.

As required by generally accepted accounting principles, these financial statements present all funds which comprise the Town. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town of Clarksburg has no component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements 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.

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF CLARKSBURG, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this period, the government considers revenues to be available if they are collected within thirty 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.

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. 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 Sewer Fund accounts for 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 Principle 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 or APB opinions 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 Town's utility division 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 good, 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.

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 sewer fund are charges for sales to customers for sales and service. The 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 sewer fund 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 CLARKSBURG, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

D. Assets, Liabilities, and Net Assets/Fund Balance

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with a term of less than three months.

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" on the balance sheet.

Bad debts in the proprietary fund are recorded by the direct write-off method. The Sewer Fund compiles a list of bad debts to be written off at year-end that is given to the Board for approval.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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 repairs and maintenance that do not add to the value of the asset or materially extend the asset's life are not capitalized. Typically, purchases of less than \$250 are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Buildings	30 years	Vehicles	5 years
Improvements Other Than Buildings	15 years	Infrastructure	15 years
Machinery and Equipment	7 years	Utility Plant	50 years
Furniture and Fixtures	5 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 unearned or unavailable revenues.

Compensated Absences

Employees of the Town of Clarksburg are entitled to paid vacation and paid sick days depending on job classification, length of service and other factors. The Town only has one full-time employee. An accrual has been made in the government-wide statements as of June 30, 2011, to report the estimated liability for compensated absences.

TOWN OF CLARKSBURG, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Fund Balance

In the governmental fund financial statements, fund balances may be classified as follows:

- Nonspendable – amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted – amounts that can be spent only for specific purposes because of limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions.
- Committed – amounts that can be used only for specific purposes determined by a formal action of the Board of Aldermen by ordinance.
- Assigned – amounts that are designated by the Board for a particular purpose but are not spendable until there is a majority vote approval by the Board.
- Unassigned – all amounts in the general fund not included in other spendable classifications.

Net assets in the government-wide statements may be categorized as follows:

- Invested in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any payables that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – net assets that have third party limitations on their use.
- Unrestricted net assets – all net assets that are not included in the categories identified above.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for governmental funds. The Town's policy is to not allow expenditures to exceed budgetary amounts at the major function level without obtaining additional appropriation approval from the Board of Aldermen. This policy reflects the legal level of control at which expenditures may not exceed appropriations. For the year ended June 30, 2011, the General Fund exceeded budgeted expenditures by \$1,139 and the State Street Aid Fund exceeded the budget by \$8,170.

As an extension of the budgetary process, the Board of 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 ordinances. The Town Recorder may make transfers within the budget below the legal level of control. All unexpended appropriations lapse at the end of the fiscal year unless the Town Recorder authorizes retention.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Investments were made up entirely of certificates of deposit with a maturity of greater than three months for the fiscal year ended June 30, 2011.

TOWN OF CLARKSBURG, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Custodial Credit Risk – The Town’s policies limit deposits and investments to those instruments allowed by applicable state laws. 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. As of June 30, 2011, all bank deposits were fully collateralized or insured.

B. Capital Assets

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

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 105,675	\$ -	\$ -	\$ 105,675
Capital assets, being depreciated				
Buildings	117,861	-	-	117,861
Improvements other than buildings	124,096	-	-	124,096
Machinery and equipment	104,531	-	-	104,531
Streets and improvements	247,501	12,393	-	259,894
Total	<u>593,989</u>	<u>12,393</u>	<u>-</u>	<u>606,382</u>
Less accumulated depreciation for:				
Buildings	55,799	4,780	-	60,579
Improvements other than buildings	93,027	5,405	-	98,432
Machinery and equipment	103,198	930	-	104,128
Streets and improvements	200,029	13,721	-	213,750
Total accumulated depreciation	<u>452,053</u>	<u>24,836</u>	<u>-</u>	<u>476,889</u>
Net capital assets, being depreciated	<u>141,936</u>	<u>(12,443)</u>	<u>-</u>	<u>129,493</u>
Governmental activities capital assets, net	<u>\$ 247,611</u>	<u>\$ (12,443)</u>	<u>\$ -</u>	<u>\$ 235,168</u>
Business-type Activities:				
Capital assets, being depreciated				
Utility plant	\$ 1,530,390	\$ 11,687	\$ -	\$ 1,542,077
Less accumulated depreciation	<u>113,563</u>	<u>30,608</u>	<u>-</u>	<u>144,171</u>
Business-type activities capital assets, net	<u>\$ 1,416,827</u>	<u>\$ (18,921)</u>	<u>\$ -</u>	<u>\$ 1,397,906</u>

TOWN OF CLARKSBURG, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

Governmental activities:	
General government	\$ 4,520
Public safety	1,130
Highways and streets, including depreciation of general infrastructure assets	13,721
Culture and recreation	<u>5,465</u>
Total depreciation expense – governmental activities	<u>\$ 24,836</u>
Business-type activities:	
Sewer	<u>\$ 30,608</u>

C. Deferred Revenue

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, deferred revenue in the governmental funds were as follows:

	<u>Unavailable</u>
State shared revenue received in August	\$ 2,300
Local sales tax received in August	5,294
Total deferred revenue	<u>\$ 7,594</u>

D. Debt

The Sewer Fund has two notes payable to the Tennessee State Revolving Fund. Payments on SRF 04-176 began in October 2005 for 240 months and were adjusted to \$2,007 per month starting in April 2007. The loan has an annual interest rate of 1.56%. and a balance at June 30, 2011, of \$307,541. Note SRF 07-199 was issued June 25, 2007 for \$118,800 to finance new construction. When the project was completed, the total amount drawn against the note was \$111,524. Beginning April 1, 2009, monthly payments of \$546 were set up to repay this amount plus interest at 1.65%. The note matures March 31, 2029. The balance outstanding as of June 30, 2011, was \$100,733. Estimated debt service requirements are presented below.

Year Ending June 30,	Principal	Interest	Total
2012	\$ 24,468	\$ 6,312	\$ 30,780
2013	24,852	5,928	30,780
2014	25,248	5,532	30,780
2015	25,644	5,136	30,780
2016	26,052	4,728	30,780
2017-2021	136,644	17,256	153,900
2022-2026	127,757	6,147	133,904
2027-2029	17,609	373	17,982
	<u>\$ 408,274</u>	<u>\$ 51,412</u>	<u>\$ 459,686</u>

TOWN OF CLARKSBURG, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Changes in long-term liabilities for the year ended June 30, 2011, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Note SRF 04-176	\$ 326,665	\$ -	\$ 19,124	\$ 307,541	\$ 19,536
Note SRF 07-199	105,581	-	4,848	100,733	4,932
Total	<u>\$ 432,246</u>	<u>\$ -</u>	<u>\$ 23,972</u>	<u>\$ 408,274</u>	<u>\$ 24,468</u>

NOTE 4 – OTHER INFORMATION

A. Risk Management

The Town of Clarksburg is exposed to various risks related to general liability and workers' compensation. The Town felt it was more economically feasible to join public entity risk pools as opposed to purchasing commercial insurance for these areas. The Town is a member of the Tennessee Municipal League Risk Management Pool (TMLRMP), which is a public entity risk pool established by the Tennessee Municipal League, an association of member Tennessee municipalities. The Town pays an annual premium to this pool for it to be self-sustaining through member premiums. The TMLRMP reinsures through commercial insurance companies for claims in excess of a specified amount for each insured event.

The Town continues to carry commercial insurance for all other risks of loss, including general liability, commercial property, and surety bonds. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Prior Period Adjustments

In the General Fund, compensated absences were incorrectly reported in prior years. A prior period adjustment of \$2,271 was made to beginning fund balance to reflect the removal of the liability as of July 1, 2010. For the current year, compensated absences are reflected properly in the government-wide statements only. There were also errors for the amount of cash reported in the prior year. An adjustment of \$1,160 was made in the General Fund and \$4 in the Drug Fund to correct these misstatements.

OTHER SUPPLEMENTARY INFORMATION SECTION

TOWN OF CLARKSBURG, TENNESSEE
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue		
	State Street Aid Fund	Drug Fund	Total
ASSETS			
Cash in bank - checking	\$ 7,846	\$ 2,955	\$ 10,801
Receivables:			
Intergovernmental	1,583	-	1,583
Total assets	\$ 9,429	\$ 2,955	\$ 12,384
 LIABILITIES AND FUND BALANCE			
Liabilities			
Deferred revenue	\$ 881	\$ -	\$ 881
 Fund balance			
Restricted	8,548	2,955	11,503
Total liabilities and fund balance	\$ 9,429	\$ 2,955	\$ 12,384

See independent auditor's report

TOWN OF CLARKSBURG, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	<u>Special Revenue</u>		
	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Total</u>
Revenues			
Intergovernmental revenues			
State of Tennessee gasoline tax	\$ 7,768	\$ -	\$ 7,768
Other			
Interest	<u>-</u>	<u>7</u>	<u>7</u>
Total revenues	7,768	7	7,775
Expenditures			
Public works			
Street repair	<u>16,170</u>	<u>-</u>	<u>16,170</u>
Revenues over (under) expenditures	<u>(8,402)</u>	<u>7</u>	<u>(8,395)</u>
Fund balance - July 1, 2010	16,950	2,952	19,902
Prior period adjustment	<u>-</u>	<u>(4)</u>	<u>(4)</u>
Fund balance - July 1, 2010, as restated	<u>16,950</u>	<u>2,948</u>	<u>19,898</u>
Fund balance - June 30, 2011	<u>\$ 8,548</u>	<u>\$ 2,955</u>	<u>\$ 11,503</u>

See independent auditor's report

TOWN OF CLARKSBURG, TENNESSEE
STATE STREET AID FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Over (Under)
Revenues				
Intergovernmental revenue				
State of Tennessee gasoline tax	\$ 8,000	\$ 8,000	\$ 7,768	\$ (232)
Expenditures				
Street repair	2,000	2,000	12,393	10,393
Supplies	2,400	2,400	342	(2,058)
Paving	<u>3,600</u>	<u>3,600</u>	<u>3,435</u>	<u>(165)</u>
Total expenditures	<u>8,000</u>	<u>8,000</u>	<u>16,170</u>	<u>8,170</u>
Revenues over (under) expenditures	-	-	(8,402)	(8,402)
Fund Balance - July 1, 2010	<u>16,950</u>	<u>16,950</u>	<u>16,950</u>	-
Fund Balance - June 30, 2011	<u>\$ 16,950</u>	<u>\$ 16,950</u>	<u>\$ 8,548</u>	<u>\$ (8,402)</u>

See independent auditor's report

TOWN OF CLARKSBURG, TENNESSEE
DRUG FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Fines and forfeitures				
City court fines and costs	\$ 500	\$ 500	\$ -	\$ (500)
Other:				
Interest	-	-	7	7
Total revenues	<u>500</u>	<u>500</u>	<u>7</u>	<u>(493)</u>
Expenditures				
Drug-related activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	500	500	7	(493)
Total net assets - July 1, 2010	2,952	2,952	2,952	-
Prior period adjustment	-	-	(4)	(4)
Total net assets - July 1, 2010, as restated	<u>2,952</u>	<u>2,952</u>	<u>2,948</u>	<u>(4)</u>
Fund balance - June 30, 2011	<u>\$ 3,452</u>	<u>\$ 3,452</u>	<u>\$ 2,955</u>	<u>\$ (497)</u>

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TOWN OF CLARKSBURG, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
June 30, 2011

PROPRIETARY FUND

Year Ending June 30,	SRF 04-176			SRF 07-199			Total
	Principal	Interest	Total	Principal	Interest	Total	
2012	\$ 19,536	\$ 4,692	\$ 24,228	\$ 4,932	\$ 1,620	\$ 6,552	\$ 30,780
2013	19,848	4,380	24,228	5,004	1,548	6,552	30,780
2014	20,160	4,068	24,228	5,088	1,464	6,552	30,780
2015	20,472	3,756	24,228	5,172	1,380	6,552	30,780
2016	20,796	3,432	24,228	5,256	1,296	6,552	30,780
2017	21,120	3,108	24,228	5,352	1,200	6,552	30,780
2018	21,456	2,772	24,228	5,436	1,116	6,552	30,780
2019	21,792	2,436	24,228	5,532	1,020	6,552	30,780
2020	22,140	2,088	24,228	5,616	936	6,552	30,780
2021	22,488	1,740	24,228	5,712	840	6,552	30,780
2022	22,836	1,392	24,228	5,808	744	6,552	30,780
2023	23,196	1,032	24,228	5,904	648	6,552	30,780
2024	23,556	672	24,228	6,000	552	6,552	30,780
2025	23,928	300	24,228	6,108	444	6,552	30,780
2026	4,217	15	4,232	6,204	348	6,552	10,784
2027	-	-	-	6,312	240	6,552	6,552
2028	-	-	-	6,444	108	6,552	6,552
2029	-	-	-	4,853	25	4,878	4,878
	<u>\$ 307,541</u>	<u>\$ 35,883</u>	<u>\$ 343,424</u>	<u>\$ 100,733</u>	<u>\$ 15,529</u>	<u>\$ 116,262</u>	<u>\$ 459,686</u>

See independent auditor's report

TOWN OF CLARKSBURG, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
June 30, 2011

SEWER RATES

Residential and Commercial Rates

Minimum Bill	\$14.00 per month
Usage:	
Cost per 1,000 gallons	\$4.95 per month

Institutional Rate (Clarksburg School)

Minimum Bill	\$14.00 per month
Usage:	
Cost per 1,000 gallons	\$22.00 per month

Total customers billed - 42

TOWN OF CLARKSBURG, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA #</u>	<u>Project or Grant Number</u>	<u>Balance July 1, 2010</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2011</u>
U.S. Environmental Protection Agency/ Tennessee Department of Environment and Conservation						
State Revolving Fund Loan Program	66.458	SRF 04-176	\$ -	\$ -	\$ -	\$ -
State Revolving Fund Loan Program	66.458	SRF 07-199	-	-	-	-
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 1: At June 30, 2011, there was an outstanding balance of \$307,541 on a loan obtained in a previous year through the State Revolving Loan Fund. Payments during the current fiscal year were \$19,124.

NOTE 2: At June 30, 2011, there was an outstanding balance of \$100,733 on a loan obtained in a previous year through the State Revolving Loan Fund. Payments during the current fiscal year were \$4,848.

NOTE 3: The accompanying schedule of expenditures of federal awards was prepared on the modified accrual basis.

See independent auditor's report

TOWN OF CLARKSBURG, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2011

<u>Grantor/Pass-Through Grantor Program Title</u>	<u>Project or Grant Number</u>	<u>Balance July 1, 2010</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2011</u>
State of Tennessee Department of Agriculture Forestry Division					
Tennessee Agriculture Enhancement Program					
Community Tree Planting	62-6001443	\$ (1,937)	\$ 1,937	\$ -	\$ -

NOTE 1: The accompanying schedule was prepared on the modified accrual basis.

See independent auditor's report

INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

www.atacpa.net

16208 Highland Drive
McKenzie, TN 38201

Telephone: (731) 352-3513
(800) 273-3241
Fax: (731) 352-2919

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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 Aldermen
Town of Clarksburg, 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 Clarksburg, Tennessee, 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 February 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as item 98-3 to be a material weakness.

Mayor and Board of Aldermen
Town of Clarksburg, Tennessee

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as Item 11-1 to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* described in the accompanying schedule of findings and responses as Item 11-1.

The Town of Clarksburg's response to the findings 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 the response.

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

Alexander Thompson Arnold PLLC

McKenzie, Tennessee
February 28, 2012

TOWN OF CLARKSBURG, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
 June 30, 2011

98-3 Segregation of Duties

Condition: The Town of Clarksburg cannot fully segregate the record-keeping, custodial, and authorization functions of its internal accounting controls due to the size of its staff.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

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

Recommendation: We realize that the staff size will not allow the Town to completely segregate the duties to the optimum level desired. However, the accounting functions should be segregated as much as possible. Management needs to be aware that this weakness exists in the system of internal accounting control.

Response: *We realize that we have one employee to fulfill these duties. The board (mayor and aldermen) review the financial records on a monthly basis for approval.*

11-1 Expenditures in Excess of Appropriations

Condition: The Town of Clarksburg had expenditures in excess of appropriations as follows for the year ended June 30, 2011:

	Budgeted Expenditures	Actual Expenditures	Actual over Budget
General Fund	\$172,500	\$173,639	\$1,139
State Street Aid Fund	\$8,000	\$16,170	\$8,170

Criteria: TCA 6-56-203 states “notwithstanding any other provision of law, no municipality may expend any monies regardless of their source, including moneys derived from bond and long-term note proceeds, federal, state or private grants or loans, or special assessments, except in accordance with a budget ordinance adopted under this section or through a proprietary type fund or a fiduciary type fund properly excluded from the budget ordinance.”

Effect: The Town has made expenditures that were not legally appropriated by the Board.

Recommendation: We recommend the Town carefully monitor their budget each month and make amendments as appropriate in order to authorize all expenditures. All final budget amendments for a current fiscal year must be approved prior to June 30.

Response: *We will monitor the budget on a monthly basis and make amendments appropriately.*

TOWN OF CLARKSBURG, TENNESSEE
SCHEDULE OF PRIOR FINDINGS
June 30, 2011

98-3 Segregation of Duties - repeated