

Town of Gibson, Tennessee
Financial Statements
And Supplementary Information
For the Year Ended June 30, 2011

**TOWN OF GIBSON, TENNESSEE
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011**

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FINANCIAL REPORT
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**TOWN OF GIBSON, TENNESSEE
ROSTER - BOARD OF ALDERMEN
YEAR ENDED JUNE 30, 2011**

TONY BLACK, MAYOR
PHIL MEAL, ALDERMAN
JIMMY CARAWAY, ALDERMAN
JERRY MORRIS, ALDERMAN
CLYDE FRYE, ALDERMAN
MARY GOODRICH, ALDERPERSON
JANICE SUE ADAMS, ALDERPERSON

FLIPPIN, ATKINS, CRIDER, P.C.
ATTORNEYS AT LAW
HUMBOLDT, TENNESSEE

COWART REESE SARGENT, P.C., CPAs
INDEPENDENT AUDITORS
BROWNSVILLE, TENNESSEE



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www.crscpa.com

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Board of Aldermen
Town of Gibson
Gibson, 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 Gibson, 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 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.

Town of Gibson was unable to provide us with minutes of board of aldermen meeting, documentation of citation revenues was destroyed and the Town of Gibson has been unable to collect, record and deposit funds from the fund-raising for Parks & Recreation Fund.

Because of lack of sufficient audit evidence, material weaknesses and control deficiencies over financial reporting, we are unable to express an opinion on 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 Gibson, 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 and solid waste fund for the year 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 14, 2012 on our consideration of Town of Gibson's internal control over financial reporting and on our test 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 read in conjunction in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the *Governmental Accounting Standard 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 we were unable to express an opinion on the financial statements as a whole and the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Cowart Reese Sargent, CPA, PC
Certified Public Accountants

Brownsville, Tennessee
February 14, 2012

**Town of Gibson, Tennessee
Management Discussion & Analysis
Year Ended June 30, 2011**

As management of the Town of Gibson, Tennessee (the "Town" or the "Town of Gibson"), we offer readers of the Town's financial statement this narrative overview and analysis of the significant activities of the Town for the fiscal year ended June 30, 2010. The analysis focuses on significant position, budget changes and variances from the budget, and specific issues related to fund and economic factors affecting the Town of Gibson.

Management's Discussion and Analysis (MD & A) focuses on current year activities and resulting changes. Please consider the information presented here in conjunction with the Town's financial statements which begin on page 10 thru 28.

Financial Highlights

- The assets of the Town of Gibson exceeded its liabilities at the close of the most recent fiscal year by \$388,947 which is presented as net assets.
- At close of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$73,496.
- Solid Waste reported a fund balance of \$27,571.

Overview of the Financial Statements

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

- 1) government-wide financial statements,
- 2) fund financial statements, and
- 3) notes to the financial statements.

This report, also, contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. Government-wide financial statements are designed to provide readers with a broad overview of the Town'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 serves as a useful indicator of whether the financial position of the Town of Gibson is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changes 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 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, deferred revenues, and earned but unused vacation leave).

Government-wide financial statements is comprised of Statement of Net Assets and Statement of Activities distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (Government-wide) 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 of Gibson include general government, public safety, public works, and institution and welfare.

The business-type activities of the Town of Gibson include the Water and Sewer Fund.

Fund financial statements - A *fund* is a group of related accounts that is used to maintain control over financial resources that have been segregated for specific activities or objectives. Town of Gibson, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds are divided into two

categories: Governmental funds and Proprietary funds.

Governmental funds - *Governmental funds* are used to account for essentially the same functions are reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statement focus on *near-term*, *outflows and spendable resources* available at the of the fiscal year. Such information is used to evaluate the government's near-term financing requirements.

Because the focus of governmental funds is narrower than of the 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, reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Town of Gibson maintains five individual governmental funds. Information is presented separately in governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in the fund balances for the general fund, solid waste fund, Parks & Receptions, Drug Fund, and State Street Aid fund, all of which are considered to be major funds. Data from the other governmental funds are presented separately as other or as major governmental funds.

Proprietary funds - There is only one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Gibson uses the enterprise funds to account for activities in its Water and Sewer Fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in government-wide financial statements because resources of those funds are not available to support a Town's own programs. Accounting for fiduciary fund is much like that use for proprietary funds. The Town of Gibson does not have fiduciary funds.

Budgetary Comparison - The budgetary comparison of the major funds is presented as part of basic financial statements. Town of Gibson adopts an annual appropriated budget for all of its funds. A budgetary comparison statement is provided for the major funds to demonstrate compliance with the adopted budget.

Notes to the financial statements - Notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other information - The combining statements referred to earlier in connection with the nonmajor and special revenue governmental fund are presented immediately following the notes to the financial statements. Combining and individual fund statements can be found on pages 29 through 34 of this report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. Town of Gibson's assets exceeded liabilities by \$388,947 as of June 30, 2011.

		Net Assets - Primary Government					
		Governmental		Business-Type			
		Activities		Activities		Total	
		2011	2010	2011	2010	2011	2010
Current and Other Assets		\$ 107,593	\$ 155,920	\$ 45,515	\$ 29,838	\$ 153,108	\$ 185,758
Capital Assets		57,963	76,895	442,714	472,557	\$ 500,677	\$ 549,452
	Total Assets	165,556	232,815	488,229	502,395	653,785	735,210
Current Liabilities		78,688	72,419	68,234	108,085	146,922	180,504
Long-term Liabilities		13,372	21,395	104,544	121,001	117,916	142,396
	Total Liabilities	92,060	93,814	172,778	229,086	264,838	322,900
Net Assets:							
	Invested in Capital Assets	36,923	48,223	320,953	334,460	357,876	382,683
	Restricted for:						
	State Street Aid	8,443	2,986	-	-	8,443	2,986
	Drug Fund	2,091	2,091	-	-	2,091	2,091
	Assigned	27,571	-	-	-	27,571	-
	Unassigned	(1,532)	85,701	(5,502)	(61,151)	(7,034)	24,550
	Total Net Assets	\$ 73,496	\$ 139,001	\$ 315,451	\$ 273,309	\$ 388,947	\$ 412,310

Seventy-seven percent reflect of assets is investment in capital assets (e.g., land, infrastructure, building, machinery, equipment & vehicles), less any related outstanding debt used to acquire those assets, and four percent (4%) reflects restricted amount that is available for only spending in the designated fund. Consequently they are not available for future spending. The unrestricted net assets represent the amount used to meet the Town's ongoing obligations to citizens and creditors.

Changes in Net Assets - The Town's total net assets decreased by \$23,363 as a result of current year's operations.

Key elements of the change in net assets are as follows:

	Changes in Net Assets					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues:						
Charges for services	\$ 455,385	\$ 263,444	\$ 126,580	\$ 130,410	\$ 581,965	\$ 393,854
Operating Grants and Contributions	3,711	13,573	-	-	3,711	13,573
General Revenues:						
Property Taxes	19,234	29,843	-	-	19,234	29,843
Sales Taxes	12,126	21,358	-	-	12,126	21,358
Wholesale Beer Tax	13,858	12,596	-	-	13,858	12,596
Payments in Lieu of Taxes	-	4,554	-	-	-	4,554
Other Taxes and Licenses	-	2,741	-	-	-	2,741
Other Sources	4,565	5,015	63,158	-	67,723	5,015
Intergovernmental Taxes	58,829	46,094	-	-	58,829	46,094
Total Revenues	567,708	399,218	189,738	130,410	757,446	529,628
Expenses:						
General Government	366,122	123,343	-	-	366,122	123,343
Public Safety	190,787	132,040	-	-	190,787	132,040
Public Works	76,304	61,048	-	-	76,304	61,048
Water & Sewer	-	-	147,596	202,371	147,596	202,371
Total Expenses	633,213	316,431	147,596	202,371	780,809	518,802
Change in Net Assets	(65,505)	82,787	42,142	(71,961)	(23,363)	10,826
Net Assets - beginning	139,001	56,214	273,309	345,270	412,310	401,484
Net Assets - ending	\$ 73,496	\$ 139,001	\$ 315,451	\$ 273,309	\$ 388,947	\$ 412,310

Financial Analysis of the Government's Funds

Town of Gibson uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 Town's financing requirements. In particular, unreserved fund balance serves as useful measure of a government's resources available for spending.

Assets, Liabilities, and Fund Balances			
Total Governmental Funds			
		2011	2010
Total Assets		<u>\$ 107,593</u>	<u>\$ 158,460</u>
Total Liabilities		52,797	67,349
Fund Balances:			
Restricted for Special Revenue Funds		10,534	-
Assigned - Solid Waste		27,571	86,034
Unassigned		(1,532)	5,077
Total Liabilities and Fund Balances		<u>\$ 89,370</u>	<u>\$ 158,460</u>

At end of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$36,573. Of this amount, \$(1,532), constitutes unreserved fund balance, which is available for spending at the government's discretion.

Changes in Fund Balances of Governmental Funds			
		2011	2010
Revenues			
Taxes		\$ 47,196	\$ 71,092
Intergovernmental		56,851	47,057
Licenses and Permits		3,045	5,215
Fines, Forfeitures, and Fees		392,318	267,228
Charges for Services		60,422	3,011
Grant		-	600
Loan Proceeds		-	34,500
Other Revenue		7,876	5,015
Total Revenues		<u>567,708</u>	<u>433,718</u>
Expenditures			
General Government		364,020	127,646
Public Safety		176,524	153,856
Public Works		74,034	58,779
Debt Service		7,668	8,907
Total Expenditures		<u>622,246</u>	<u>349,188</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures		<u>(54,538)</u>	<u>84,530</u>
Net Changes in Fund Balances		(54,538)	84,530
Fund Balance, beginning		91,111	6,581
Fund Balance, ending		<u>\$ 36,573</u>	<u>\$ 91,111</u>

The fund balance of the Town's general fund decreased by \$54,538 during the current fiscal year. The decrease is the result of increase in expenditures. The major important expenditure is the settlement of delinquent payroll taxes in the current fiscal year. Other expenditures increase at a lower rate than the increase in revenues.

Proprietary funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted nets assets of the Water and Sewer Fund at the end of the year amounted to (\$5,502) and operating loss \$(56,589).

General Fund Budgetary Highlights

There were no differences between the original budget and final amended budget.

During the year, expenditures for the General Fund exceeded the appropriated budgetary amounts by \$326,185.

Capital Asset

Capital Assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$500,677 (net of accumulated depreciation). Investment in capital assets includes land, buildings, machinery, etc.

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Land and Improvements	\$ -	\$ -	\$ 56,419	\$ 56,419	\$ 56,419	\$ 56,419
Buildings and Improvements	649,220	649,220	-	-	\$ 649,220	\$ 649,220
Other Fixed Assets	290,158	290,158	3,168	3,903	\$ 293,326	\$ 294,061
Utility Plant & Improvements	-	-	1,314,558	1,318,455	\$ 1,314,558	\$ 1,318,455
Less: Accumulated Depreciation	(881,415)	(862,483)	(931,431)	(906,220)	\$ (1,812,846)	\$ (1,768,703)
Total Assets	\$ 57,963	\$ 76,895	\$ 442,714	\$ 472,557	\$ 500,677	\$ 549,452

Request for Information

This financial report is designed to provide a general overview of the Town of Gibson's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial statements should be addressed to:

Town of Gibson
P.O. Box 374
Gibson, Tennessee 38338

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

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 32,380	\$ 11,332	\$43,712
Receivables (net where applicable of allowance for uncollectibles)	12,321	27,957	40,278
Taxes	36,379	-	36,379
Intergovernmental	9,071	-	9,071
Due from Other Funds	15,250	-	15,250
Prepaid items	2,192	-	2,192
Inventory	-	6,226	6,226
Total Current Assets	<u>107,593</u>	<u>45,515</u>	<u>153,108</u>
Noncurrent Assets:			
Capital Assets:			
Land	-	56,419	56,419
Buildings	649,220	-	649,220
Equipment	290,158	3,168	293,326
Utility Plant in Service	(881,415)	1,314,558	433,143
Less Accumulated Depreciation		(931,431)	(931,431)
Total Noncurrent Assets	<u>57,963</u>	<u>442,714</u>	<u>500,677</u>
Total Assets	<u>165,556</u>	<u>488,229</u>	<u>653,785</u>
LIABILITIES			
Current Liabilities			
Bank Overdraft Payable	18,223	-	18,223
Accounts Payable	10,436	2,289	12,725
Payroll Tax Payable	7,908	235	8,143
Sales Tax Payable	-	369	369
Deposits - Meter	-	29,542	29,542
Deferred Revenues	34,453	-	34,453
Interest Payable	-	3,332	3,332
Due to Other Funds	-	15,250	15,250
Current Maturities:			
Notes Payable	7,668	2,134	9,802
Bonds Payable	-	15,083	15,083
Total Current Liabilities	<u>78,688</u>	<u>68,234</u>	<u>146,922</u>
Long-Term Liabilities			
Notes Payable	13,372	6,576	19,948
Bonds Payable	-	97,968	97,968
Total Long-Term Liabilities	<u>13,372</u>	<u>104,544</u>	<u>117,916</u>
Total Liabilities	<u>92,060</u>	<u>172,778</u>	<u>264,838</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	36,923	320,953	357,876
Restricted			
State Street Aid	8,443	-	8,443
Drug Fund	2,091	-	2,091
Unrestricted			
General	8,235	(5,502)	2,733
Special Revenue Funds	17,804	-	17,804
Total Net Assets	<u>\$73,496</u>	<u>\$315,451</u>	<u>\$388,947</u>

The notes to the financial statement are an integral part of this statement.

TOWN OF GIBSON, 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	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 366,122	\$ 14,267	\$ -	\$ -	\$ (351,855)	\$ -	\$ (351,855)
Public Safety	190,787	392,318	3,711	-	205,242	-	205,242
Public Works	76,304	48,800	-	-	(27,504)	-	(27,504)
Debt Service							
Total Governmental Activities	<u>633,213</u>	<u>455,385</u>	<u>3,711</u>	<u>-</u>	<u>(174,117)</u>	<u>-</u>	<u>(174,117)</u>
Business-type Activities:							
Water and Sewer	147,596	126,580	-	-	-	(21,016)	(21,016)
Total Business-type Activities	<u>147,596</u>	<u>126,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,016)</u>	<u>(21,016)</u>
Total Primary Government	<u>\$780,809</u>	<u>\$581,965</u>	<u>\$3,711</u>	<u>\$0</u>	<u>(\$174,117)</u>	<u>(\$21,016)</u>	<u>(\$195,133)</u>
General Revenues:							
Taxes:							
Property Taxes					19,234	-	19,234
Local Sales Tax					12,126	-	12,126
Whole Sale Beer Tax					13,858	-	13,858
Business Tax					279	-	279
Cable TV Franchise Fee					1,699	-	1,699
State Sales Tax					44,006	-	44,006
State Income Tax					4,615	-	4,615
State Beer Tax					823	-	823
State Tele Communications Tax					14	-	14
City Street & Transsient					7,393	-	7,393
Other sources					4,565	63,158	67,723
Total General Revenues					<u>108,612</u>	<u>63,158</u>	<u>171,770</u>
Change in Net Assets					(65,505)	42,142	(23,363)
Net Assets - Beginning					<u>139,001</u>	<u>273,309</u>	<u>412,310</u>
Net Assets - Ending					<u>\$ 73,496</u>	<u>\$ 315,451</u>	<u>\$ 388,947</u>

The notes to financial statements are an integral part of this statement.

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

	<u>General</u>	<u>Solid Waste</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 3,956	\$ -	\$ 28,424	\$ 32,380
Prepaid Insurance	2,192	-	-	2,192
Receivables (net where applicable of allowance for uncollectibles)	-	12,321	-	12,321
Real Estate Taxes	36,379	-	-	36,379
Due From Water and Sewer	-	15,250	-	15,250
Due From Other Governments	8,017	-	1,054	9,071
Total Assets	<u>\$ 50,544</u>	<u>\$ 27,571</u>	<u>\$ 29,478</u>	<u>\$ 107,593</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Bank Overdraft - Payable	18,223	-	-	18,223
Accounts Payable	9,911	-	525	10,436
Payroll Tax Payable	7,293	-	615	7,908
Deferred Revenues	1,601	-	-	1,601
Deferred Property Taxes	32,852	-	-	32,852
Total Liabilities	<u>69,880</u>	<u>-</u>	<u>1,140</u>	<u>52,797</u>
Fund Balances:				
Restricted				
State Street Aid	-	-	8,443	8,443
Drug	-	-	2,091	2,091
Assigned	-	27,571	-	27,571
Unassigned				
General Fund	(19,336)	-	-	(19,336)
Special Revenue Funds	-	-	17,804	17,804
Total Fund Balances	<u>(19,336)</u>	<u>27,571</u>	<u>28,338</u>	<u>36,573</u>
Total Liabilities and Fund Balances	<u>\$ 50,544</u>	<u>\$ 27,571</u>	<u>\$ 29,478</u>	

Amounts reported for 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 the funds. 57,963

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds: (21,040)

Net Assets of Governmental Activities \$ 73,496

TOWN OF GIBSON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2011

	<u>General</u>	<u>Solid Waste</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes:				
Property Tax	\$18,983	\$ -	\$ -	\$18,983
Penalty & Interest	251	-	-	251
Local Sales Tax	12,126	-	-	12,126
Whole Sale Beer Tax	13,858	-	-	13,858
Business Tax	279	-	-	279
Cable TV Franchise Fee	1,699	-	-	1,699
Intergovernmental:				
State Sales Tax	44,006	-	-	44,006
State Income Tax	4,615	-	-	4,615
State Beer Tax	823	-	-	823
State Tele Communications Tax	14	-	-	14
State Streets and Transportation Tax	296	-	-	296
State Gasoline Tax			7,097	7,097
Licenses and Permits	3,045	-	-	3,045
Fines, Forfeitures, and Fees	392,318	-	-	392,318
Charges for Services	400	48,800	11,222	60,422
Contributions	3,711	-	-	3,711
Other Revenue	1,454	-	2,711	4,165
Total Revenues	<u>497,878</u>	<u>48,800</u>	<u>21,030</u>	<u>567,708</u>
EXPENDITURES				
General Government	371,688	-	-	371,688
Public Safety	173,572	-	2,952	176,524
Public Works	36,033	33,550	4,451	74,034
Total Expenditures	<u>581,293</u>	<u>33,550</u>	<u>7,403</u>	<u>622,246</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(83,415)</u>	<u>15,250</u>	<u>13,627</u>	<u>(54,538)</u>
Net Change in Fund Balance	(83,415)	15,250	13,627	(54,538)
Fund Balance - Beginning	<u>64,079</u>	<u>12,321</u>	<u>14,711</u>	<u>91,111</u>
Fund Balance - Ending	<u><u>(\$19,336)</u></u>	<u><u>\$27,571</u></u>	<u><u>\$28,338</u></u>	<u><u>\$36,573</u></u>

The notes to the financial statements are an integral part of the this statement.

**TOWN OF GIBSON, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

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

Net change in fund balances - total governmental funds	\$	(54,538)
--	----	----------

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 depreciated expense.

Acquisition of Capital Assets		
Depreciation Expense	<u>(18,635)</u>	(18,635)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any effect on net assets.		<u>7,668</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>(65,505)</u></u>
---	----	------------------------

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

	Water and Sewer
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 11,332
Accounts Receivable	27,957
Inventory	6,226
Total Current Assets	45,515
Noncurrent Assets:	
Capital Assets:	56,419
Land	3,168
Plant and Equipment	1,314,558
Less: Accumulated Depreciation	(931,431)
Total Noncurrent Assets	442,714
Total Assets	488,229
LIABILITIES	
Current Liabilities:	
Accounts Payable	2,289
Payroll Taxes Payable	235
Customer Deposits	29,542
Accrued Interest Payable	3,332
Sales Tax Payable	369
Due to Other Funds	15,250
Notes Payable	2,134
Bonds Payable	15,083
Total Current Liabilities	68,234
Long-Term Liabilities (less current maturities):	
Notes Payable	6,576
Bonds Payables	97,968
Total Long-Term Liabilities	104,544
Total Liabilities	172,778
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	320,953
Unrestricted	(5,502)
Total Net Assets	\$ 315,451

The notes to the financial statement are an integral part of this statement.

TOWN OF GIBSON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Water and Sewer
Operating Revenues:	
Sales and Services	\$ 87,402
Water Rights	26,790
Penalties and Forfeits	4,354
Other Income	8,034
Total Operating Revenues	126,580
Operating Expenses:	
Salaries	29,304
Hospitalization/Dental Insurance	2,660
Postage	488
Dues	350
Utilities	7,991
Lab Test	7,992
Training and Education	59
Repairs and Maintenance	16,682
Miscellaneous	2,451
Office Supplies	1,416
Gas & Oil	2,478
Chemicals	15,220
Contracted Services	26,387
Depreciation	25,406
Payroll Taxes	2,143
Total Operating Expenses	141,027
Operating Income (Loss)	(14,447)
Nonoperating Revenues (Expenses):	
Transfer In	63,158
Interest expense	(6,569)
Total Nonoperating Revenues (Expenses)	56,589
Change in Net Assets	42,142
Total Net Assets - Beginning	273,309
Total Net Assets - Ending	\$315,451

The notes to financial statements are an integral part of this statement.

**TOWN OF GIBSON, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Business-type Activities - Enterprise Fund Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$126,580
Payments to Suppliers	(60,028)
Payments to Employees	(34,107)
Net Cash Provided by Operating Activities	<u>32,445</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Paid on Long-term Debt	(16,472)
Interest Paid on Long-term Debt	(6,569)
Net Cash Provided (Used) by capital and related financing activities	<u>(23,041)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	0
Net Cash Provided (Used) by Investing Activities	<u>0</u>
Net Increase in Cash and Cash Equivalents	9,404
Cash and Cash Equivalents - July 1	<u>1,928</u>
Cash and Cash Equivalents - June 30	<u><u>\$11,332</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (loss)	\$63,158
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation Expense	25,406
Increase in receivables	(7,747)
Increase in customer deposits	2,087
Increase in accounts payable & accrued expenses(including notes)	(50,459)
Total Adjustments	<u>(30,713)</u>
Net Cash Provided by Operating Activities	<u><u>\$32,445</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF GIBSON, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Property Tax	\$ 28,000	\$ 28,000	\$ 18,983	\$ (9,017)
Penalty & Interest	150	150	251	101
Ad Valorem Tax	4,500	4,500	-	(4,500)
Local Sales Tax	20,000	20,000	12,126	(7,874)
Wholesale Beer Tax	11,000	11,000	13,858	2,858
Business Tax	500	500	279	(221)
TVA Pmts in Lieu of Taxes	2,500	2,500	-	(2,500)
Cable TV Franchise Fees	2,000	2,000	1,699	(301)
Licenses & Permits		-		-
City Stickers	4,700	4,700	3,045	(1,655)
Intergovernmental:				
State Sales Tax	26,000	26,000	44,006	18,006
State Income Tax	1,500	1,500	4,615	3,115
State Beer Tax	500	500	823	323
State Tele Communications		-	14	14
State Streets & Transportation	900	900	296	(604)
Federal Excise Tax	100	100	-	(100)
Charges for Services				
Fees and Commissions	600	600	250	(350)
Fire Service	25	25	150	125
Fines	160,000	160,000	392,318	232,318
Other Revenue				
Contributions		-	3,711	3,711
Miscellaneous	750	750	1,304	554
Gym Donations & Use	150	150	150	-
Total Revenues	<u>263,875</u>	<u>263,875</u>	<u>497,878</u>	<u>234,003</u>
Expenditures				
General Government:				
Salary - Mayor	2,400	2,400	2,400	-
Salaries	42,000	42,000	47,960	(5,960)
Salary - Judge	2,200	2,200	1,299	901
Medical Insurance	3,500	3,500	12,732	(9,232)
Board Per Diem Allowance	250	250	-	250
Postage & Box Rent	550	550	336	214
Legal Notice	-	-	33	(33)
Dues	500	500	916	(416)
Utilities & Phone	12,000	12,000	24,226	(12,226)
Professional Fees	3,600	3,600	17,709	(14,109)
Repairs & Maintenance	1,000	1,000	15,108	(14,108)
Business Taxes - Litigations	-	-	121	(121)
Miscellaneous	3,800	3,800	10,679	(6,879)
Office Supplies	800	800	11,300	(10,500)
Operating Supplies	500	500	959	(459)
Gas & Oil	-	-	1,199	(1,199)
City Stickers	350	350	-	350
Insurance	22,000	22,000	25,767	(3,767)
Accounting	3,000	3,000	7,922	(4,922)
Independent Audit	2,600	2,600	6,000	(3,400)
Penalties	-	-	15,445	(15,445)
Capital Outlay	-	-	20,173	(20,173)
Payroll Taxes	9,000	9,000	83,143	(74,143)
Transfer Out			66,261	(66,261)
Total General Government	<u>110,050</u>	<u>110,050</u>	<u>371,688</u>	<u>(261,638)</u>

The notes to the financial statement are an integral part of this statement.

TOWN OF GIBSON, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGETARY COMPARISON (Cont.)
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public Safety:				
Police Department:				
Salaries	102,208	102,208	101,592	616
Medical Insurance	7,200	7,200	8,003	(803)
Communication Center	3,000	3,000	1,636	1,364
Dues	250	250	-	250
Equipment	2,000	2,000	755	1,245
Repairs and maintenance	2,000	2,000	9,662	(7,662)
Training	500	500	-	500
Travel			436	(436)
State Cost Traffic	8,500	8,500	13,733	(5,233)
Miscellaneous	500	500	461	39
Operating Supplies	1,000	1,000	3,610	(2,610)
Uniforms	600	600	2,557	(1,957)
Gas & Oil	6,000	6,000	10,909	(4,909)
Capital Outlay	500	500	-	500
Payroll Taxes	7,500	7,500	2,292	5,208
Debt Service			7,668	(7,668)
Interes			2,123	(2,123)
Fire Department:				
Volunteer Firemen	1,500	1,500	5,585	(4,085)
Due	-	-	50	(50)
Repairs & Maintenance	500	500	515	(15)
Miscellaneous	100	100	585	(485)
Gas & Oil	200	200	-	200
Operating Supplies	300	300	1,400	(1,100)
Total Public Safety	<u>144,358</u>	<u>144,358</u>	<u>173,572</u>	<u>(29,214)</u>
Public Works:				
Highways and Streets:				
Salaries	-	-	35,496	(35,496)
Medical Insurance	-	-	465	(465)
Repair & Maintenance	500	500	-	500
Uniforms	-	-	72	(72)
New Signs	200	200	-	200
Total Public Works	<u>700</u>	<u>700</u>	<u>36,033</u>	<u>(35,333)</u>
Total Expenditures	<u>255,108</u>	<u>255,108</u>	<u>581,293</u>	<u>(326,185)</u>
Excess of Revenues over Expenditures	<u>8,767</u>	<u>8,767</u>	<u>(83,415)</u>	<u>92,182</u>
Net Change in Fund Balances	<u>\$ 8,767</u>	<u>\$ 8,767</u>	(83,415)	<u>\$ 92,182</u>
Fund Balance - Beginning			<u>64,079</u>	
Fund Balance - Ending			<u>\$ (19,336)</u>	

The notes to the financial statement are an integral part of this statement.

TOWN OF GIBSON, TENNESSEE
Notes to Financial Statements
Year Ended June 30, 2011

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Town of Gibson, Tennessee (the Town) is governed by an elected mayor and six aldermen. The accompanying financial statements present the financial of the Town. The government provides the following services, as authorized by the Charter of the Town: General Administrative services, Public safety (police and fire protection), Public Works, (roads and streets, parks, and sanitation), and water sewer facility services.

The financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standard Board (GASB).

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the changes in net assets) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from the financial statements. Governmental activities are supported by taxes and intergovernmental revenues, are reported separately from the business-type activities, which rely on charges for services and to support the operations of this fund.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment.

Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. 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 are restricted to meeting the operations 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 on separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund. 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 60 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.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Other revenues are considered to be measurable and available only when cash is received.

TOWN OF GIBSON, TENNESSEE
Notes to Financial Statements (Cont)
Year Ended June 30, 2011

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont)

The government 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 Drug Fund is special revenue fund that accounts for one-half of fines from drug offenses, any cash forfeited, and proceed from the sale of any forfeited property.

The State Street Aid fund accounts for gasoline taxes that are used to fund the repairs and maintenance of the streets.

The government reports the following major proprietary fund:

The water and sewer fund accounts for the activities of the water and sewer department, which operates and maintains a water distribution and a sewer collection system for residents and businesses on a user charge basis. All activities necessary to provide these services are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises. At the end of fiscal year June 30, 2011, Town had no internal service fund or fiduciary funds.

Pronouncements of the Financial Accounting Standards Board ("FASB") issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund types in accordance with an election made by the Town under GASB Statement No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the government's water and sewer function, and other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the various functions.

Amounts of 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 and special assessments. Internally dedicated resources, general revenues and all taxes are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating activities of the Town's proprietary water and sewer are charges to customers for sales and services. The Town 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 enterprise 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.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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.

TOWN OF GIBSON, TENNESSEE
Notes to Financial Statements (Cont)
Year Ended June 30, 2011

D. Assets, Liabilities, and Net Assets or Equity (Cont)

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short -term investments original maturities of three months or less from the date of acquisition. The government does not have a deposit policy. State statute's authorize the government and the District to invest in obligations of the U.S. Treasury, commercial paper, cooperated bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the Town are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriated state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business- type activities are reported in the government-wide financial statements as "internal balances." Town of Gibson has eliminated the inter-fund balances between governmental funds and business-type activities.

The Town's property tax is levied for the current fiscal year each October 1 on the assessed value listed as of the prior January 1st for all real and personal property located in the Town's legal boundaries. Property taxes are secured by a statutory lien effective as of the original assessment date of January 1 and as such an enforceable legal claim to the subsequent fiscal year levy exists at the year end.

Payments for property taxes are made during the period from October 1 through February 28 and are delinquent on March 1. Current tax collections of \$30,942.00 were reported as revenue for the year ended June 30, 2011 were approximately 98% of the tax levy. Of the \$36,376.00 property taxes receivable, \$31,186.00 represents the estimated net realizable 2011 property taxes. This receivable is reported in the Balance Sheet - Governmental Funds.

3. Capital Assets

Capital assets, which include 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. Capital assets are defined by the government as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of two years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed value are not available. Donated capital assets are recorded at estimated fair market value at the date of donation. Repairs and maintenance costs that do not increase the value or materially extend assets lives of assets are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

TOWN OF GIBSON, TENNESSEE
Notes to Financial Statements (C o n t)
Year Ended June 30, 2011

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	30 - 40
Improvements other than buildings	30 - 40
Machiner, equipment and vehicles	5 - 10
Furniture and fixtures	7 - 10
Infrastructure	25 - 50
Water and sewer plant	20 - 50
Distribution system	20 - 50

4. *Compensated Absences*

The Town allows employees to accumulate an unlimited amount of vacation. During the first year, employees receive one week of vacation and after three years they receive two weeks, of which, employees can accumulate. Upon termination of employment, payment is made for the total amount of vacation time multiplied by their current rate of pay. The compensated absences are immaterial, therefore, are not accrued.

The Town allows employees to accumulate one day per month up to a maximum of ninety days of sick leave. Upon termination, employees are not reimbursed for unused sick leave; therefore no accrual has been made.

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

6. *Inventory*

Inventory is valued at the lower of cost or market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventory is recorded as an expenditure when consumed rather than when purchased.

TOWN OF GIBSON, TENNESSEE
Notes to Financial Statements (Cont)
Year Ended June 30, 2011

7. *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 revenues.

D. Assets, Liabilities, and Net Assets or Equity (Cont)

8. *Fund Equity*

In accordance with GASB Statement No. 54, equity is classified as net assets and displayed in five components:

- 1.) Nonspendable fund balance - amounts that are not in spendable form (such as inventory and invested in capital assets net of accumulated depreciation to meet the bonds and notes payable) or are required to be maintained intact.
- 2.) Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher level of government), through constitutional provisions, or by spending legislation.
- 3.) Committed fund balance are constrained to specific purposes by the Town itself, using its highest level of decision making authority, the Board of Aldermen. To be reported as committed, amounts cannot be used for any purposes unless the board takes the same highest level of action to remove or change the constraint.
- 4.) Assigned fund balance - amount the Town intends to use for specific purpose. Intent can be expressed by Board of Aldermen or by an official or body to which the Board delegates the authority.
- 5.) Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in general fund.

The Board of Aldermen establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

The details of the fund balances are included in the Governmental Funds Balance Sheet as listed in the table of contents. Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the Board or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

II. Detailed Notes on All Funds

A. Deposits and Investments

Custodial Credit Risk Deposits -is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town of Gibson does not have a deposit policy for custodial credit risk. As of June 30, 2011, there was no exposure to custodial credit risk. All deposits were sufficiently collateralized and insured by FDIC.

TOWN OF GIBSON, TENNESSEE
Notes to Financial Statements (Cont)
Year Ended June 30, 2011

B. Receivables

Receivables net of related and applicable allowances for uncollectible amounts are as follows:

	General	Water and Sewer	Other Governments	Total
Receivables:				
Taxes	\$ 36,379	\$ -	\$ -	\$ 36,379
Accounts	-	12,321	-	12,321
Due from other Governments	8,017	-	1,054	9,071
Total Receivables	\$ 44,396	\$ 12,321	\$ 1,054	\$ 57,771

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated				
Buildings	\$ 649,220	\$ -	\$ -	\$ 649,220
Equipment	290,158	-	-	290,158
Total Assets	939,378	-	-	939,378
Less: Accumulated Depreciation	(862,483)	(18,932)	-	(881,415)
Governmental Activities Capital Assets, Net	\$ 76,895	\$ (18,932)	\$ -	\$ 57,963
	Beginning Balance			Ending Balance
Business-type Activities:				
Capital assets not being depreciated				
Land	\$ 56,419	\$ -	\$ -	\$ 56,419
Capital assets, being depreciated				
Equipment & Office Furniture	\$ -	\$ 3,168	\$ -	\$ 3,168
Plant & Improvements	1,322,358	-	(7,800)	1,314,558
Total Assets	1,322,358	3,168	(7,800)	1,317,726
Less: Accumulated Depreciation	(906,220)	(25,406)	195	(931,431)
Business-type Activities Capital Assets, Net	\$ 472,557	\$ (22,238)	\$ (7,605)	\$ 442,714

TOWN OF GIBSON, TENNESSEE
Notes to Financial Statements (C o n t)
Year Ended June 30, 2011

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

Governmental Activities:							
	General Government				\$	2,399	
	Public Safety					14,263	
	Public Works					1,924	
	Parks & Recreation					346	
	Total Depreciation Expense - Governmental Activities				\$	<u>18,932</u>	
Business-type Activities							
	Water and Sewer				\$	25,406	
	Total Depreciation Expense - Business-type Activities				\$	<u>25,406</u>	

D. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods and other miscellaneous receivables/ payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from" other funds (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government- wide financial statements.

Water and Sewer owes Solid Waste for Sanitation Fees collected from customers for monthly billings less monthly fees paid to Waste Management, the amount of reimbursed to solid waste fund.

Town of Gibson transferred the interfund receivables and payables into the Transfer-In and Transfer-Out accounts. This eliminated the Due to and Due From accounts.

TOWN OF GIBSON, TENNESSEE
Notes to Financial Statements (Cont)
Year Ended June 30, 2011

E. Long-term Debt

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Capital Outlay Notes	\$ 28,672	\$ -	\$ 7,632	\$ 21,040
Governmental Activity				
Long-term Liability	\$ 28,672	\$ -	\$ 7,632	\$ 21,040
Business-type Activities:				
Bonds	\$ 127,417	\$ -	\$ 14,366	\$ 113,051
Notes Payable	10,680	-	1,970	8,710
Business-type Activities				
Long-term Liability	\$ 138,097	\$ -	\$ 16,336	\$ 121,761

Governmental activities

Long-term debt is comprised of the following capital outlay notes payable which are backed by full faith and credit of the Town:

Capital Outlay Notes payable to Medina Banking, dated December 03, 2009, interest rate of 5.114%, due December 03, 2015.

Business-type activities

Long-term debt is comprised of the following water & sewer revenue and tax deficiency bonds which shall be payable solely from and be secured by a pledge of the net revenues to be derived from the operation of the water and sewer fund.

The following capital outlay notes payables comprise the business-type activities long-term debt. They are backed by full faith and credit of the Town of Gibson.

- 1.) Capital Outlay Notes payable to Tennessee Local Development Authority, interest at 8%, due monthly through February 2015.
- 2.) Capital Outlay Bonds payables to Medina Banking, issued on 7/06/2007, with an interest rate of 5.00%, due 11/10/2017.

TOWN OF GIBSON, TENNESSEE
Notes to Financial Statements (C o n t)
Year Ended June 30, 2011

E. Long-term Debt (cont'd)

Debt Service Requirement for Proprietary Fund:					
				Interest	Total
	Year	Bonds	Notes	Total	Requirement
	2012	\$ 15,083	\$ 2,134	\$ 5,756	\$ 22,973
	2013	15,838	2,163	4,972	\$ 22,973
	2014	16,629	2,192	4,152	\$ 22,973
	2015	17,461	2,221	3,290	\$ 22,972
	2016	18,703	-	2,033	\$ 20,736
	2017	29,337	-	2,125	\$ 31,462
		<u>\$ 113,051</u>	<u>\$ 8,710</u>	<u>\$ 22,328</u>	<u>\$ 144,089</u>
Debt Service Requirement for Governmental Fund:					
				Interest	Total
	Year	Notes		Total	Requirement
	2012	\$ 7,668	\$ 1,093	\$ 8,761	
	2013	7,668	758	\$ 8,426	
	2014	5,704	404	\$ 6,108	
		<u>\$ 21,040</u>	<u>\$ 2,255</u>	<u>\$ 23,295</u>	

G. Restricted Net Assets

Net assets of the primary government restricted, by enabling legislation, for specific purposes include gasoline motor tax in the State Street Aid Fund for \$8,443 and Drug Fund for \$12,467 with total of \$20,910. These restrictions are functionally classified in the Statement of Net Assets.

III. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through the Tennessee Municipal League Risk Management Pool, covering each of those risks of loss. The TML Pool is a cooperative risk sharing arrangement between local government agencies that works in many ways like a traditional insurer. The Town meets the TML Pool's guidelines and complies with its rules and regulations, including loss control requirement as well as

its underwriting standards. Rates of TML Pool are actuarially projected to provide adequate funding to cover loss reserves and expenses, as well as building contingency reserves. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three fiscal years.

TOWN OF GIBSON, TENNESSEE
Notes to Financial Statements (Cont)
Year Ended June 30, 2011

B. Litigation

As of June 30, 2011, the Town has no pending or threatening litigation.

C. Contingent Liabilities

At beginning of fiscal year of June 30, 2011, Town of Gibson has an unresolved delinquent payroll tax issue with Internal Revenue Service. As result of unsatisfied balance, Town was required to have approval of IRS for unusual and extraordinary business transactions, cash disbursements and taking additional debt. Town of Gibson cooperated with IRS and satisfied all delinquent payroll taxes, which are recorded as Payroll Taxes Expenses.

D. - Stewardship, Compliance and Accountability

Budgetary Information

Prior to June 30 of each year, a proposed operating budget for the fiscal year commencing July 1 is formally submitted to the board of Aldermen. Public hearings are conducted by the Board of Aldermen to obtain citizen comments on the budget. Prior to June 30, the budget is legally enacted through passage of an ordinance. Annual appropriated budgets for the special revenue and debt service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America ("GAAP"). The annual appropriated budget for the general is adopted on GAAP basis. Budgeted amounts show originally adopted, as well as, the final budgets which reflect amendments by the Board of Aldermen.

Total expenditures for each of these funds may not exceed the total amount appropriated in the budget ordinance. Town is authorized to transfer budgeted amounts between departments within an individual fund; and revisions that alter the total appropriations for any fund must be approved through the passage of an ordinance by the Board of Aldermen. All annual appropriations lapse at end of the year. Town of Gibson did not prepare budget for major revenue funds of State Street Aid, Drug fund, Parks and Recreation fund, and Sanitation fund.

TOWN OF GIBSON, TENNESSEE
Notes to Financial Statements (C o n t)
Year Ended June 30, 2011

E. - Stewardship, Compliance and Accountability

Excess Expenditures

During the year ended June 30, 2011, expenditures exceeded the budgeted level of appropriations as follows:

Governmental Funds:							
	General Government		\$ 261,638	The delinquent payroll taxes are \$62,000 and transfer-in of \$63,158 amount due to General Fund			
	Public Safety - Police Department		23,279				
	Public Safety - Fire Department		5,935				
	Public Safety - Drug Fund		2,952	No Budget			
	Public Works		35,333	No Budget			
	State Street Aid		4,351	No Budget			
	Solid Waste		33,550	No Budget			

Subsequent Events

Management had reviewed subsequent events through February 14, 2012, the earliest date the financials were available.

-End of Notes-

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

	SPECIAL REVENUE			Total Nonmajor Governmental Funds
	State Street Aid	Parks & Rec	Drug	
ASSETS				
Cash and Cash Equivalents	\$ 8,529	\$ 7,428	\$ 12,467	\$ 28,424
Due From Other Governments	1,054			1,054
Total Assets	<u>\$ 9,583</u>	<u>\$ 7,428</u>	<u>\$ 12,467</u>	<u>\$ 29,478</u>
LIABILITIES				
Accounts Payable	525	-	-	525
Payroll Tax Payable	615	-	-	615
Total Liabilities	<u>1,140</u>	<u>-</u>	<u>-</u>	<u>1,140</u>
FUND BALANCES				
Assigned			2,091	2,091
Unassigned	8,443	7,428	10,376	26,247
Total Fund Balance	<u>8,443</u>	<u>7,428</u>	<u>12,467</u>	<u>28,338</u>
Total Liabilities and Fund Balance	<u>\$ 9,583</u>	<u>\$ 7,428</u>	<u>\$ 12,467</u>	<u>\$ 29,478</u>

The notes to the financial statement are an integral part of this statement.

TOWN OF GIBSON, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

SPECIAL REVENUE

	<u>State Street Aid</u>	<u>Parks & Rec</u>	<u>Drug Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues				
Intergovernmental:				
Gasoline Tax	\$ 7,097			\$ 7,097
Charges for Services			11,222	11,222
Other sources of Income	2,711			
Total Revenues	<u>9,808</u>	<u>0</u>	<u>11,222</u>	<u>21,030</u>
Expenditures				
Salaries	148			148
Payroll Taxes	58			58
Street Lights	3,546			3,546
Repairs & Maintenance	599			599
Machinery & Equipment			700	700
Supplies		100	2,252	2,352
Total Expenditures	<u>4,351</u>	<u>100</u>	<u>2,952</u>	<u>7,403</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,457</u>	<u>(100)</u>	<u>8,270</u>	<u>13,627</u>
Net Change in Fund Balance	5,457	(100)	8,270	13,627
Fund Balance - Beginning	<u>2,986</u>	<u>7,528</u>	<u>4,197</u>	<u>14,711</u>
Fund Balance - Ending	<u>\$ 8,443</u>	<u>\$ 7,428</u>	<u>\$ 12,467</u>	<u>\$ 28,338</u>

The notes to financial statement are an integral part of this statement.

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUND - STATE STREET AID
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental:				
State of Tennessee gasoline tax	\$ -	\$ -	\$ 7,097	\$ (7,097)
	-	-	2,711	(2,711)
Total Revenues	<u>-</u>	<u>-</u>	<u>9,808</u>	<u>(9,808)</u>
Expenditures				
Salaries	-	-	148	(148)
Hospital/Dental Insurance	-	-	-	-
Street Lights	-	-	3,546	(3,546)
Repairs & Maintenance	-	-	599	(599)
Payroll Taxes	-	-	58	(58)
Total Expenditures	<u>-</u>	<u>-</u>	<u>4,351</u>	<u>(4,351)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>5,457</u>	<u>(5,457)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	5,457	<u>\$ (5,457)</u>
Fund Balance - Beginning			2,986	
Fund Balance - Ending			<u>\$ 8,443</u>	

The notes to financial statement are an integral part of this statement.

TOWN OF GIBSON, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUND - DRUG FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Charges for Services		\$ -	\$ 11,222	\$ (11,222)
Total Revenues	-	-	11,222	(11,222)
Expenditures				
Operating Supplies			2,252	(2,252)
Machinery & Equipment			700	(700)
Total Expenditures	-	-	2,952	(2,952)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	8,270	(8,270)
Net Change in Fund Balance	\$ -	\$ -	8,270	\$ (14,174)
Fund Balance - Beginning			4,197	
Fund Balance - Ending			\$ 12,467	

The notes to financial statement are an integral part of this statement.

TOWN OF GIBSON, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUND - PARKS & REC
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Donations	\$ -	\$ -	\$ -	\$ -
Interest				
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Bank Charges				
Supplies			100	100
Total Expenditures	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(100)</u>	<u>(100)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(100)	<u>\$ 100</u>
Fund Balance - Beginning			<u>7,528</u>	
Fund Balance - Ending			<u>\$ 7,428</u>	

The notes to financial statement are an integral part of this statement.

TOWN OF GIBSON, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGETARY COMPARISON
SPECIAL REVENUE FUND - SOLID WASTE
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Sanitation Fees		\$ -	\$ 48,800	\$ 48,800
Total Revenues	-	-	48,800	48,800
Expenditures				
Sanitation Charges			33,550	(33,550)
Total Expenditures	-	-	33,550	(33,550)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	15,250	(15,250)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	15,250	<u>\$ (15,250)</u>
Fund Balance - Beginning			<u>12,321</u>	
Fund Balance - Ending			<u>\$ 27,571</u>	

The notes to financial statements are an integral part of this statement.

TOWN OF GIBSON, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

Fiscal Year	Assessed Value	Tax Rate	Tax Levy	Balance July 1, 2010	Collections	Balance June 30, 2011
2011	\$ 3,116,619	1.00	\$ 31,186			\$ 31,186
2010	\$ 3,105,166	1.00	\$ 31,075	31,075	27,551	3,524
2009	\$ 3,042,705	1.02	\$ 31,698	2,732	1,397	1,335
2008	\$ 2,678,723	1.02	\$ 27,332	1,119	796	323
2007	\$ 2,640,953	1.02	\$ 26,945	1,061	1,053	8
2006	\$ 3,119,689	1.02	\$ 31,828	145	145	0
2005	\$ 3,096,724	1.02	\$ 31,594			0
2004	\$ 2,998,692	1.02	\$ 30,592			0
2003	\$ 3,191,275	1.07	\$ 29,825			0
2002	\$ 2,149,074	0.87	\$ 24,702			0
2001	\$ 2,041,629	0.87	\$ 23,467			0
2000	\$ 1,172,165	0.67	\$ 17,495			0
				<u>\$ 36,132</u>	<u>\$ 30,942</u>	<u>\$ 36,376</u>
Total						

TOWN OF GIBSON, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

Year Ended June 30	Capital Outlay Note Dated 12/03/2009		Total Requirements		Annual Total
	Principal	Interest	Principal	Interest	
2012	\$ 7,668	\$ 1,093	\$ 7,668	\$ 1,093	\$ 8,761
2013	7,668	758	7,668	758	8,426
2014	5,704	404	5,704	404	6,108
	<u>\$ 21,040</u>	<u>\$ 2,255</u>	<u>\$ 21,040</u>	<u>\$ 2,255</u>	<u>\$ 23,295</u>

TOWN OF GIBSON, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

Year Ended June 30	Notes Payable Local Development		Capital Outlay Bonds Payable 7/6/2007		Total Requirements		Annual Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	\$ 2,134	\$ 103	\$ 15,083	\$ 5,653	\$ 17,217	\$ 5,756	\$ 22,973
2013	2,163	74	15,838	4,898	18,001	4,972	22,973
2014	2,192	45	16,629	4,107	18,821	4,152	22,973
2015	2,221	15	17,461	3,275	19,682	3,290	22,972
2016			18,703	2,033	18,703	2,033	20,736
2017 - 2020			29,337	2,125	29,337	2,125	31,462
	<u>\$ 8,710</u>	<u>\$ 237</u>	<u>\$ 113,051</u>	<u>\$ 22,091</u>	<u>\$ 121,761</u>	<u>\$ 22,328</u>	<u>\$ 144,089</u>

TOWN OF GIBSON, TENNESSEE
UTILITY STATISTICAL DATA (UNAUDITED)
June 30, 2011

(UNAUDITED)

Consumption	Water	Rate
First 3,000 gallons		\$14.00
Over 3,000 gallons		3.00/1,000 gallons
	Sewer	
First 3,000 gallons		14.00
Over 3,000 gallons		3.00/1,000 gallons
Maintenance Fee	\$20.00 per month	
Garbage Fee	\$19.00 per month	
	Water and Sewer Customers	Solid Waste Customers
	200	215

TOWN OF GIBSON, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
FOR YEAR ENDED JUNE 30, 2011

(All amounts in gallons)

A	Water Treated and Purchased:		
B	Water Pumped (potable)	13,243,330	
C	Water Purchased	0	
D	Total Water Treated and Purchased		13,243,330
	(Sum Lines B and C)		
E	Accounted for Water:		
F	Water Sold	9,185,882	
G	Metered for Consumption	24,430	
H	Fire Department(s) Usage	19,338	
I	Flushing	261,650	
J	Tank Cleaning/ Filling	78,800	
K	Street Cleaning	0	
L	Bulk Sales	0	
M	Water Bill Adjustments	1,870	
N	Total Accounted for Water		9,571,970
	(Sum Lines F thru M)		
O	Unaccounted for Water		3,671,360
	(Line D minus Line N)		
P	Percent Unaccounted for Water		27.722%
	(Line O divided by Line D times 100)		
Q	Other (explain)		

Explain Other:

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 the line item is not applicable, a "0" is shown.

Information is provided by Gibson Water System Management.

TOWN OF GIBSON, TENNESSEE
SCHEDULE OF INSURANCE COVERAGES (UNAUDITED)
JUNE 30, 2011
(UNAUDITED)

<u>EFFECTIVE DATES</u>	<u>INSURER EMC INSURANCE COMPANY</u>	<u>POLICY #</u>	<u>AMOUNT</u>
2/1/2011 - 2/10/2012	PROPERTY COVERAGE (PER OCCURRENCE) BLANKET LIMIT PER OCCURRENCE	4A4-75-78---12	1,288,000
	BUILDING AND PERSONAL PROPERTY		1,574,000
	PERSONAL PROPERTY		286,000
2/1/2011 - 2/01/2012	LIABILITY COVERAGE	4F4 - 75 - 78---12	
	CATASTROPHIC MEDICAL EXPENSES EXCESS OF BODILY INJURY		1,000,000 PER OCCURRENCE
	MEDICAL PAYMENT PER PERSON		5,000 PER OCCURRENCE
	RENTED PROPERTY		100,000 PER OCCURRENCE
2/1/2011 - 2/1/2012	CRIME COVERAGE	4F4- 75 - 78 ---12	
	EMPLOYEE THEFT		150,000
	FORGERY OR ALTERATION		100,000
	INSIDE THE PREMISES THEFT		100,000
	OUTSIDE THE PREMISES THEFT		100,000
	COMPUTER FRAUD		100,000



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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**

The Honorable Mayor and Board of Aldermen
Town of Gibson
Gibson, 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 Gibson, 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 February 14, 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 is responsible for establishing and maintaining internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as basis for designing our auditing procedures for the purpose of expressing our opinion 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses 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 charges with governance.

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 to be material weaknesses. Items 2011-1, 2011-2, 2011-3, 2011-4.

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* and which are described in the accompanying schedule of findings and responses, numbers 2011-5 and 2011-6.

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

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



Cowart Reese Sargent, PC
Certified Public Accountants

Brownsville, Tennessee
February 14, 2012.

**TOWN OF GIBSON, TENNESSEE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011**

Summary of Auditors' Results

- 1.) The auditor's report disclaims from an opinion on the accompanying financial statements of the Town of Gibson.
- 2.) Instances of Material Weaknesses in the internal control over financial reporting were identified.
- 3.) Two instances of noncompliance that were material to the financial statements was disclosed during the audit.

Findings - Financial Statements Audit

Current Year Findings

2011 - 01 Missing Minutes of Board Meetings (Material Weakness)

Condition: Town of Gibson did not have minutes of board of aldermen available for review. The Summary of minutes the board were removed from the filing box and Town of Gibson does not have personnel resources to listen to the audio tapes and prepare a hard copy of the summary of minutes of board of aldermen.

Criteria: The board of aldermen's actions, decisions, and discussions must be available to determine compliance with rules contract agreements, enacted ordinance, budget and amendments to the budget. These information must be available and accessible to general public and to the auditor.

Effect: Failure to provide adequate audit documentation prevents auditor from obtaining required information, assessing risks, and determining the necessary audit procedures to be performed.

Recommendation: Management must establish, implement and maintain procedures to produce, safe guard and store all documentations. Minutes of the board of aldermen could be made available to public through the website as well.

Management: Management concurs and has implemented procedures to record, print, safeguard hard copy and maintain back up of all audit documentations.

2011 - 02 Missing back-up of Citation Revenues (Material Weakness)

Condition: Town of Gibson did not have all information available for Police Citations issued to citizens for violations. A Lightening strike destroyed the back-up of the program and some information were not recovered.

Criteria: The back up information are required to compare and update information on funds received for fines and court costs.

Effect: There is a reasonable possibility that financial statements are materially misstated. Inadequate internal control procedures jeopardizes the integrity, reliability, and relevance and accuracy of financial information.

Recommendation: Management must establish, implement, and protect contingency plans to ensure that reliable, relevant, and accurate financial statement are prepared, stored and available at all times. Also, computer hardware, software, peripheral and information stored in the computer system must be protected.

Management: Management concurs that a more advanced computer and information system is required, but Town of Gibson has limited resources at this time.

**TOWN OF GIBSON, TENNESSEE
SCHEDULE OF FINDINGS (Cont)
YEAR ENDED JUNE 30, 2011**

2011 - 03 Delinquent Payroll Taxes (Material Weakness)

Condition: Town of Gibson had delinquent payroll taxes since 2007 that were not properly recorded in the financial statements.

Criteria: Management must establish and implement control procedures to calculate, record, and pay payroll taxes and other obligation on time.

Effect: Non Compliance with rules and regulations of IRS, can cause illegal acts, increased penalties and fines.

Recommendation: Town of Gibson needs to establish and implement procedures to identify errors, omissions, and fraud in the normal course of performing their functions to detect, prevent, and correct misstatement on a timely basis. Also, management must monitor the satisfaction of obligations on a timely basis to prevent penalties.

Management : Town of Gibson's management concurs that more supervision, review and participation by the management is required. Delinquent payroll taxes were paid and obligations are satisfied during fiscal year 2010 - 2011.

2011 - 04 Unable to Recover/Collect Parks & Recreation Funds (Material Weakness)

Condition: Fund collected by Town of Gibson for Parks and Recreation to build a Pavilion in fund raising events during the year 2001 are not collected by the Town, yet. This matter has been reported to the Comptroller of the State Tennessee, Division of Municipal Audit.

Criteria: Management is responsible to establish and implement procedures so that employees or manager are able to identify, detect and correct errors, omission, and fraud in the normal course of performing their functions.

Effect: There is reasonable possibility that financial statements are materially misstated.

Recommendations: Management is responsible to ensure that all funds are collected, recorded, and deposited within three days of business from the date the funds were received.

Management: Management concurs. The fund-raising funds were conducted under prior administration and no actions were taken at that time. However, current management has turned the matter over to the District Attorney.

TOWN OF GIBSON, TENNESSEE
SCHEDULE OF FINDINGS (Cont)
YEAR ENDED JUNE 30, 2011

2011 - 05 Net Loss -- Water and Sewer (Non-Compliance)

Condition: The Water & Sewer Fund has incurred a net loss for the past four years.

Criteria: The review of the financial activity of the Water and Sewer Fund is important to verify that adequate fees and rates are charged for services and that the expenses are at a level that promotes a quality service for the Town but that also works toward greater efficiencies when possible.

Effect: Operating the Water and Sewer Fund in a net loss position is not in compliance with Tennessee Code Annotated Section 68-221-1010.

Recommendation: We recommend that the Town monitor the Water and Sewer Fund activity more closely to ensure that operating losses do not occur in the future.

Management: In future periods, the utilities department will examine its operations and determine if rates should be increased or if it is possible to decrease expenses. Negotiations with MTAS are in progress and possible increase in rates.

2011 - 06 Exceeding Budgeted Expenditures (Non-Compliance)

Condition: Expenditures exceeded appropriations allowed by the budget in the general fund, state street aid, drug fund, parks & recreation and solid waste resulting in an instance of noncompliance.

Criteria: Tennessee Code Annotated 6-56-203 prohibits expenditures of funds except in accordance with an authorized budget. Further it requires a budget for all funds, except proprietary and fiduciary.

Effect: Expenditures in excess of the budgeted amounts are unauthorized.

Recommendation: We recommend that budgets be reviewed on a regular basis and amendments be made when necessary.

Management: In the future, we will work to amend the budget when necessary and to adhere to the approval of the budget.