CITY OF GRAND JUNCTION. TENNESSEE

REPORT ON FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	Page
FINANCIAL STATEMENTS:	
Independent Auditor's Report	1
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements:	
Balance Sheet- Governmental Funds	4
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Assets- Proprietary Fund	7
Statement of Revenues, Expenses and Changes in Net Assets- Proprietary Fund	8
Statement of Cash Flows- Proprietary Fund	9
Statement of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual- General Fund	10-12
Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual- Street Aid, Sanitation and Drug Funds	13
Notes to Financial Statements	14-20
OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Property Taxes Receivable	21
Schedule of Changes in Property Taxes Receivable	21
Schedule of Expenditures of Federal Awards and State Financial Assistance	22
REPORT ON COMPLIANCE AND INTERNAL CONTROL- Governmental Auditing Standards	

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Grand Junction, Tennessee

I have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the City of Grand Junction, Tennessee as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the governing body of the city. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the audit standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the City of Grand Junction, Tennessee as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison of the General Fund, the Street Aid Fund and the Sanitation 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, I have also issued my report dated February 2, 2012 on my consideration of the City of Grand Junction's internal control structure over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements

and other matters. The purpose of that report is to describe the scope of my 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 my audit.

The City has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basis financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Junction's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

Robert A. Doll, Jr.
Certified Public Accountant

February 2, 2012

CITY OF GRAND JUNCTION, TENNESSEE
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Total	Governmental Activities	Business Activities
ASSETS			
Cash in bank and on hand	$ 46,500	$ 21,358	$ 25,142
Certificates of deposit	207,272	95,867	111,405
Internal balances		(891)	891
Receivables:			
Water and sewer fees, net of $ 1,000 allowance for uncollectables	16,834		16,834
Property taxes, net of $ 2,000 allowance for uncollectables	52,588	52,588	
Other	53,294	53,294	
Capital assets, net of accumulated depreciation	1,160,596	137,324	1,023,272
	$ 1,537,084	$ 359,540	$ 1,177,544
LIABILITIES			
Accounts payable	$ 9,109	$ 4,920	$ 4,189
Meter deposits payable	38,186		38,186
Deferred revenue- 2011 taxes	46,726	46,726	
Long-term liabilities due within one year	4,983		4,983
Long-term liabilities due beyond one year	355,244		355,244
Total Liabilities	454,248	51,646	402,602
NET ASSETS			
Investment in capital assets, net of related debt	800,369	137,324	663,045
Restricted for streets and highways	(82)	(82)	
Unrestricted	282,549	170,652	111,897
Total Net Assets	1,082,836	307,894	774,942
	$ 1,537,084	$ 359,540	$ 1,177,544

See accompanying notes to financial statements.

CITY OF GRAND JUNCTION, TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants & Donations	Capital Grants & Donations	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAM:							
Governmental Activities:							
Police	$ 96,635	$ 44,347	$	$	$ (52,288)	$	$ (52,288)
Administration	76,429	23,268		42,743	(10,418)		(10,418)
Streets & highways	67,285		9,438		(57,847)		(57,847)
Sanitation	18,590	16,627			(1,963)		(1,963)
Fire	14,776	2,000	3,145		(9,631)		(9,631)
Other	19,979	1,400			(18,579)		(18,579)
	293,694	87,642	12,583	42,743	(150,726)		(150,726)
Business Activities:							
Water & Sewer	227,707	198,576				(29,131)	(29,131)
	$ 521,401	$ 286,218	$ 12,583	$ 42,743	(150,726)	(29,131)	(179,857)
General Revenues:							
Sales tax					59,287		59,287
Beer tax					57,928		57,928
Property taxes					49,767		49,767
TVA Replacement tax					3,612		3,612
Income tax					2,462		2,462
Excise tax					1,111		1,111
Interest earnings					378	1,600	1,978
Other					5,491		5,491
Total General Revenues					180,036	1,600	181,636
Change in Net Assets					29,310	(27,531)	1,779
Net Assets, July 1, 2010					278,584	802,473	1,081,057
Net Assets, June 30, 2011					$ 307,894	$ 774,942	$ 1,082,836

See accompanying notes to financial statements.

CITY OF GRAND JUNCTION, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	Total Governmental Funds	General Fund	Street Aid Fund	Sanitation Fund	Drug Fund
ASSETS					
Cash- checking and on hand	$ 21,358	$ 11,887	$ 552	$ 1,425	$ 7,494
Certificates of deposit	95,867	95,867			
Accounts receivable	52,588	51,797	791		
Due from other City funds	1,892	1,892			
Property taxes, net of $ 2,000 allowance for uncollectables	53,294	53,294			
	$ 224,999	$ 214,737	$ 1,343	$ 1,425	$ 7,494
LIABILITIES AND FUND BALANCES					
Accounts payable	$ 4,920	$ 2,849	$ 1,025	$ 1,046	$
Due to other city funds	2,783		400	2,383	
Deferred revenue- 2011 taxes	46,726	46,726			
	54,429	49,575	1,425	3,429	
Fund balances	170,570	165,162	(82)	(2,004)	7,494
		$ 214,737	$ 1,343	$ 1,425	$ 7,494
Amounts reported for governmental activities in the Statement of Net Assets are different because:					
Capital assets used in governmental activities are not financial resources, therefore are not reported in the funds.	137,324				
Net Assets of Governmental Activities	$ 307,894				

See accompanying notes to financial statements.

CITY OF GRAND JUNCTION, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General Fund	Street Aid Fund	Sanitation Fund	Drug Fund	Total
REVENUES:					
Taxes	$ 145,420	$	$	$	$ 145,420
Fines and tickets-net	42,222			2,125	44,347
Intergovernmental	29,436	8,749			38,185
Service fees	2,000		16,627		18,627
Miscellaneous	76,419	2		4	76,425
	295,497	8,751	16,627	2,129	323,004
EXPENDITURES:					
Administration	118,697				118,697
Police department	95,546			1,089	96,635
Streets and highways	50,300	14,562			64,862
Sanitation			18,590		18,590
Fire department	14,776				14,776
Other	15,633				15,633
	294,952	14,562	18,590	1,089	329,193
EXCESS REVENUES (EXPENDITURES)	545	(5,811)	(1,963)	1,040	(6,189)
OTHER FINANCING SOURCES (USES):					
Operating transfers	(8,474)		2,020	6,454	
EXCESS REVENUES (EXPENDITURES)	(7,929)		57	7,494	(6,189)
FUND BALANCE, July 1, 2010	173,091	5,729	(2,061)		176,759
FUND BALANCE, June 30, 2011	$ 165,162	$ (82)	$ (2,004)	$ 7,494	$ 170,570

See accompanying notes to financial statements.

CITY OF GRAND JUNCTION, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances- Total Governmental Funds		$ (6,189)
Amounts Reported for Governmental Activities in the Statement of Activities are different because:		
Governmental Funds report capital outlays as expenditures. In the Statement of Activities the cost is allocated over the estimated useful lives and reported as depreciation.		
Capital outlay	$ 42,743	
Depreciation expense	(7,244)	35,499
Change in Net Assets of Governmental Activities		$ 29,310

See accompanying notes to financial statements

CITY OF GRAND JUNCTION, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUND- WATER & SEWER
JUNE 30, 2011

ASSETS	
Current Assets:	
Cash- checking and on hand	$ 25,142
Certificates of deposit	111,405
Customer fees, net of $ 1,000 allowance for uncollectables	16,834
Due from other city funds	891
Total Current Assets	154,272
Plants in service	1,954,859
Less accumulated depreciation	(931,587)
Total Plants in Service	1,023,272
	$ 1,177,544
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	$ 4,189
Customer deposits	38,186
Notes payable- Current Portion	4,983
Total Current Liabilities	47,358
Notes Payable- Long-term Portion	355,244
Total Liabilities	402,602
Net Assets:	
Invested in capital assets, net of related debt	663,045
Unrestricted	111,897
Total Net Assets	774,942
	$ 1,177,544

See accompanying notes to financial statements.

CITY OF GRAND JUNCTION, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
PROPIETARY FUND- WATER AND SEWER
YEAR ENDED JUNE 30, 2011

OPERATING REVENUES:	
Water charges	$ 132,980
Sewer charges	52,628
Miscellaneous	12,968
	198,576
OPERATING EXPENSES:	
Salaries and related expenses	76,005
Depreciation	60,694
Repairs and maintenance	22,729
Rent	18,000
Utilities	17,164
Professional and technical fees	5,689
Insurance	3,699
Office and miscellaneous	7,399
	211,379
Operating income (loss)	(12,803)
NON-OPERATING INCOME (EXPENSES):	
Interest income	1,600
Interest expense	(16,328)
	(14,728)
CHANGE IN NET ASSETS	(27,531)
NET ASSETS, July 1, 2010	802,473
NET ASSETS, June 30, 2011	$ 774,942

See accompanying notes to financial statements.

CITY OF GRAND JUNCTION, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND- WATER AND SEWER
YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 202,020	
Cash paid to employees for services	(76,005)	
Cash payments to suppliers for goods and services	(71,290)	
Cash received on customer deposits	2,745	
Net cash provided by operating activities		$ 57,470
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions of plant in service	$(64,902)	
Debt service	(21,096)	(85,998)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments		1,568
NET INCREASE IN CASH AND CASH EQUIVALENTS		(26,960)
CASH AND CASH EQUIVALENTS, beginning of year		52,102
CASH AND CASH EQUIVALENTS, end of year		$ 25,142*

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)		$(12,803)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease in accounts receivable	$ 3,444	
Decrease in prepaid expense	1,092	
Depreciation	60,694	
Increase in accounts payable	5,043	70,273
NET CASH PROVIDED BY OPERATING ACTIVITIES		$ 57,470

* Cash and cash equivalents consist of cash on hand and in checking accounts.

See accompanying notes to financial statements

CITY OF GRAND JUNCTION, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Original/ Final	Actual Amounts	Over (Under) Final Budget
REVENUES:			
Taxes:			
Beer	$ 50,000	$ 57,761	$ 7,761
Property	57,500	49,767	(7,733)
Sales	33,000	37,892	4,892
	140,500	145,420	4,920
Fines and tickets- net	65,100	42,222	(22,878)
Intergovernmental:			
Sales tax	22,000	21,395	(605)
TVA Replacement tax	3,530	3,612	82
Income tax	2,500	2,462	(38)
Excise tax	1,400	1,111	(289)
Streets & transportation	700	689	(11)
Beer tax	170	167	(3)
	30,300	29,436	(864)
Service Fees:			
Fire calls	10,000	2,000	(8,000)
Miscellaneous:			
Grants		42,743	42,743
Rents	19,500	19,400	(100)
Permits	6,250	5,268	(982)
Donations	2,400	3,145	745
Interest earnings	1,900	372	(1,528)
Other	2,500	5,491	2,991
	32,550	76,419	43,869
TOTAL REVENUES	278,450	295,497	17,047

CITY OF GRAND JUNCTION, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2011
(CONTINUED)

	Budgeted Original/ Final	Actual Amounts	Over (Under) Final Budget
EXPENDITURES (CONTINUED):			
Police Department:			
Salaries and related expenses	$ 69,000	$ 68,306	$ (694)
Fuel	9,000	7,625	(1,375)
Repairs and supplies	8,000	6,745	(1,255)
Utilities	5,000	5,330	330
Insurance	6,500	5,276	(1,224)
Court costs		1,800	1,800
Training	150	270	120
Office & miscellaneous	700	194	(506)
	98,350	95,546	(2,804)
Administration:			
Salaries and related expenses	52,000	46,663	(5,337)
Capital outlay		42,743	42,743
Utilities	9,000	9,874	874
Repairs & maintenance	2,000	4,898	2,898
Insurance	4,000	3,605	(395)
Advertising & dues	2,700	2,869	169
Board per diem	2,400	2,400	
Professional fees	2,000	2,045	45
Office & miscellaneous	3,000	3,600	600
	77,100	118,697	41,597
Streets and Highways:			
Salaries and related expenses	41,050	47,860	6,810
Repairs and supplies	2,000	2,440	440
	43,050	50,300	7,250

CITY OF GRAND JUNCTION, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2011
(CONTINUED)

	Budgeted Original/ Final	Actual Amounts	Over (Under) Final Budget
EXPENDITURES (CONTINUED):			
Fire Department:			
Per diem- volunteers	$ 3,500	$ 4,297	$ 797
Repairs & maintanence	6,000	3,495	(2,505)
Fuel	1,500	2,848	1,348
Insurance	2,520	2,067	(453)
Utilities	1,300	933	(367)
Office & miscellaneous	300	1,136	836
	15,120	14,776	(344)
Other:			
Library	12,000	10,230	(1,770)
Community center	4,000	3,990	(10)
Recreation	500	1,413	913
	16,500	15,633	(867)
TOTAL EXPENDITURES	250,120	294,952	44,832
EXCESS REVENUES(EXPENDITURES)	28,330	545	(27,785)
OTHER FINANCING SOURCES (USES):			
Operating transfers		(8,474)	(8,474)
EXCESS REVENUES (EXPENDITURES)	28,330	(7,929)	36,259
FUND BALANCE, July 1, 2010	173,091	173,091	
FUND BALANCE, June 30, 2011	$ 201,421	$ 165,162	$(36,259)

See accompanying notes to financial statements.

CITY OF GRAND JUNCTION, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE- BUDGET AND ACTUAL
STREET AID AND SANITATION FUNDS
YEAR ENDED JUNE 30, 2011

	Street Aid Fund			Sanitation Fund			Drug Fund		
	Budgeted Original/ Final	Actual	Over (Under) Final Budget	Budgeted Original/ Final	Actual	Over (Under) Final Budget	Budgeted Original/ Final	Actual	Over (Under) Final Budget
REVENUES:									
Gasoline tax	$ 8,800	$ 8,749	$ (51)						
Service fees				$ 17,000	$ 16,627	$ (373)	$	$	$
Fines and tickets								2,125	2,125
Interest earned	10	2	(8)					4	4
	8,810	8,751	(59)	17,000	16,627	(373)		2,129	2,129
EXPENDITURES:									
Street lights	6,000	6,455	255						
Repairs and supplies		3,918	3,918	1,500	517	(983)			
Fuel	2,810	3,384	574	2,000	148	(1,852)		1,089	1,089
Salaries and related expenses				15,340	5,182	(10,158)			
Contracted services					11,509	11,509			
Insurance		975	975	2,000	1,185	(815)			
Office and misc.		30	30	400	49	(351)			
	8,810	14,562	5,752	21,240	18,590	(2,650)		1,089	1,089
EXCESS REVENUES (EXPENDITURES)	-	(5,811)	(5,811)	(4,240)	(1,963)	2,277		1,040	1,040
OTHER FINANCING SOURCES (USES):									
Operating transfers					2,020	2,020		6,454	6,454
EXCESS REVENUES (EXPENDITURES)	-	(5,811)	(5,811)	(4,240)	57	4,297		7,494	7,494
FUND BALANCE, July 1, 2010	5,729	5,729		(2,061)	(2,061)				
FUND BALANCE, June 30, 2011	$ 5,729	$ (82)	$ (5,811)	$ (6,301)	$ (2,004)	$ 4,297	$	$ 7,494	$ 7,494

See accompanying notes to financial statements.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

The financial statements of the City of Grand Junction have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the CITY's accounting policies are described below.

Reporting Entity

The financial statements of the City consist only of the funds of the City. The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the City. There are no blended or discrete component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the City. For the most part, the effect of 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 a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function of segment. Program revenues include (1) charges to customers or applicants (including fines and fees) who purchase, use, or directly benefit from goods, services, or privileges provided by 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. 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.

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 are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of th end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Debt services expenditures are recorded only when payment is due.

Property taxes, state shared revenues, 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 using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received.

The major governmental funds of the City are the General Fund, Street Aid Fund, Sanitation Fund and Drub Fund. The General Fund is the primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Street Aid Fund accounts for all revenue and expenses from the City's share of state gasoline taxes. State law requires these receipts be kept in a separate fund and used for the construction and maintenance of city streets and certain related street expenses. The Sanitation Fund accounts for all revenues and expenses related to the collection and disposal of solid waste. The Drug Fund accounts for revenues and expenses related to drug enforcement. The only major proprietary fund is the Water & Sewer Fund . It accounts for the water & sewer services provided to customers of the system.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Private sector standards issued after this date are optional and not followed by the City.

Amounts reported as program revenues include (1) charges to customers or applicants (including fines and fees) for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. General revenues include all taxes and internally dedicated resources. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal revenue of the Water & Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Budget Compliance and Accountability

The City operates through the use of a formal operating budget which is adopted by the Mayor and Board of Aldermen at the beginning of the fiscal year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Amendments to the budget are proposed and adopted as needed to reflect certain events or changes in operating conditions. For the year ended June 30, 2011, the General, Street Aid and Drug Funds' expenditures exceeded appropriations by $ 44,832, $ 5,752 and $ 1,089, respectively. These excess expenditures were paid with additional revenues and by use of fund balance. All annual appropriations lapse at fiscal year end.

Inventory

Inventories of supplies and materials for all funds of the City are considered by management to not be material. No inventories are reflected on the financial statements.

Receivables and Payables

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's utility and various other functions of the government. Elimination fo these charges would distort direct

costs and program revenues reported.

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."The amounts owed represent errors in deposits and/or expenses paid. The liabilities are not considered long term.

All trade receivables and property taxes receivables are shown net of an allowance for uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $ 5,000 and an estimated useful life in excess of three years. All capital assets are valued at historical cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest is expensed when paid and thus not a part of the capitalized cost.

Depreciation has been provided over estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	40 years
Equipment	5-15 years
Distribution system	33-40 years
Street Improvements	20 years

Compensated Absences

Employees earn up to 15 days of vacation each year depending on length of service. At June 30 of each year, employees are divested of all accumulated vacation in excess of 24 days. Employees earn 12 days sick leave each year with an accumulated maximum of 90 days. Leave expenditures are recognized when paid and are not accrued. In management's opinion the omission of such accrual does not materially affect the financial statements.

Long-term Obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the

applicable governmental activities, business-type activities or proprietary fund type statement of net assets.
In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are expensed as debt service.

NOTE 2- CASH AND INVESTMENTS

The City's deposits at year end were fully covered by federal depository insurance or collateralized with securities held by its agent in the City's name. Investments, are stated at cost and consisted of certificates of deposit maturing in one year or less. Interest rates varied from 1.45% to 2.60%.

NOTE 3- PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City's legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made. Since the enforceable legal claim is not until the next fiscal year, these taxes are deferred. Assessed values are established by the State of Tennessee. Taxes are levied at a rate of $.74 per $ 100 in Hardeman County and $ .75 in Fayette County. The City bills and collects its own current property taxes. Delinquent taxes are turned over to the county for collection.

NOTE 4- CAPITAL ASSETS

Changes in capital assets for the year was as follows:

	Balance 6/30/10	Additions	Reductions	Balance 6/30/11
Governmental Activities:				
Not depreciated:				
Land	$ 5,000	$	$	$ 5,000
Depreciated:				
Buildings	89,736	42,743		132,479
Equipment	42,898			42,898
Street Improvements	29,970			29,970
	162,604	42,743		205,347
Less Accum. Depr.	(65,779)	(7,244)		(73,023)
	96,825	35,499		132,324
	$ 101,825	$ 35,499	$	$ 137,324

NOTE 4- CAPITAL ASSETS (CONTINUED)

Business-Type Activities:				
Not depreciated:				
Land	$ 74,269	$ 6,000	$	$ 80,269
Depreciated:				
Building	10,000	54,005		64,005
Systems	1,672,990			1,672,990
Equipment	132,668	4,926		137,594
	1,815,658	58,931		1,874,589
Less Accum. Depr.	(870,893)	(60,694)		(951,587)
	944,763	(1,763)		943,002
	$ 1,019,032	$ 4,237	$	$ 1,023,271

Depreciation was charged to governmental functions as follows:

General government	$ 475
Streets & highways	2,423
Other	4,346
	$ 7,244

NOTE 5- LONG TERM DEBT

The City had one outstanding long term Water & Sewer obligation, a 4.50% rural development loan. Proceeds were used for capital improvements to the utility systems. During the year ended June 30, 2011, $ 4,768 of principal was repaid. Future debt service requirements are as follows:

Fiscal Year	Annual Payment	Principal	Interest
2012	$ 21,096	$ 4,963	$ 16,113
2013	21,096	5,212	15,884
2014	21,096	5,451	15,645
2015	21,096	5,701	15,395
2016	21,096	5,963	15,133
2017-21	105,480	34,187	71,293
2022-26	105,480	42,795	62,685
2027-31	105,480	53,570	51,910
2032-36	105,480	67,060	38,420
2037-41	105,480	83,944	21,536
2042-44	54,489	51,361	3,128
	$ 687,369	$ 360,227	$ 327,142

NOTE 6- INTERFUND TRANSFERS

The only interfund transfers during the year ended June 30, 2011 were $ 2,020 of operating transfers from the General Fund to the Sanitation Fund and $ 7,494 from the General Fund to the Drug Fund to establish a separate fund for drug enforcement.

NOTE 7- RETIREMENT PLAN

The City has a locally administered retirement plan for the benefit of all full time employees who have been employed by the City for six months. The City contributes 3% of salary per month for each eligible employee. Employees are immediately 100% vested. The City contributed $ 2,653 to the plan for the year ended June 30, 2011.

NOTE 8- UTILITY CUSTOMERS AND RATES

At June 30, 2011, there were 466 water and 214 sewer customers using the systems. The billing rates were as follows:

Utility	Inside City	Outside City	Usage
Water:			
Res./Comm.	$ 9.70	$ 14.60	First 2,000 gallons
	1.75	2.70	Per additional 1,000 gallons
Industry	.97		Per 1,000 gallons
Sewer:			
All			100% of Water Bill

NOTE 9- RISK MANAGEMENT

The City of Grand Junction is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City joined the Tennessee Municipal League Risk pool, which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The City pays annual premiums to the Pool for its general, auto, property, errors and omissions and dishonesty policies. The City's premiums are calculated based on its claim history. Settled claims have not exceeded coverage provided by the Pool in any of the past three years.

CITY OF GRAND JUNCTION, TENNESSEE
SCHEDULE OF PROPERTY TAXES RECEIVABLE
JUNE 30, 2011

Year of Levy	Tax Rate	Assessed Value	Receivable
2010	$ .74	$ 6,259,216	$ 2,515
2009	.74	7,065,354	3,013
2008	.74	7,304,852	212
2007	.74	7,233,087	537
2006	.85	5,885,718	799
2005	.85	5,767,591	0
2004	.85	6,186,353	0
2003	.84	6,163,571	0
2002	.84	6,018,690	108
2001	.84	5,815,476	0
Prior			1,384
			8,568
2011- unlevied taxes			46,726
			$ 55,294

NOTE: All unpaid taxes beyond the current year of levy are turned over to the county for collection.

CITY OF GRAND JUNCTION, TENNESSEE
STATEMENT OF CHANGES IN LEVIED PROPERTY TAXES RECEIVABLE

LEVIED PROPERTY TAXES RECEIVABLE, July 1, 2010		$ 7,276
ADD:		
2010 Levy		46,392
		53,668
LESS:		
Collections- prior years levies	$ 1,223	
Collections- 2010 levy	43,877	45,100
LEVIED PROPERTY TAXES RECEIVABLE, June 30, 2011		$ 8,568

CITY OF GRAND JUNCTION, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2011

State Financial Assistance:	TN. Dept. of Economic and Community Development
Contract Number:	GG-1133471
Beginning (Accrued) Deferred	$ 0
Cash Receipts	0
Expenditures	42,743
Ending (Accrued) Deferred	$(42,743)*

* The Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the City of Grand Junction under programs of the federal and state governments for the year ended June 30, 2011. The schedule is presented using the modified accrual basis of accounting.

Accrued is due from grantor. Deferred is unexpended revenue.

ROBERT A. DOLL, JR.
CERTIFIED PUBLIC ACCOUNTANT
PO BOX 475
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(901) 465-9300

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Board of Aldermen
City of Grand Junction, Tennessee

I have audited the financial statements of the governmental activities, business type activities and each major fund of the City of Grand Junction, Tennessee, as of and for the year ended June 30, 2011, and have issued my report thereon dated February 2, 2012. I conducted my 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 City of Grand Junction is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the City of Grand Junction's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

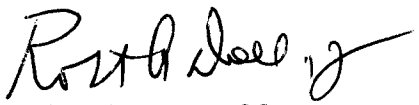
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or by the City's internal control.

My consideration of the 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the City of Grand Junction's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of management and the Board of Mayor and Aldermen, 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. However, this report is matter of public record and its distribution is not limited.



Robert A. Doll, Jr.
Certified Public Accountant

February 2, 2012