

CITY OF GRAND JUNCTION, TENNESSEE

**REPORT ON FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

YEAR ENDED JUNE 30, 2012

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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, 2012, 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.

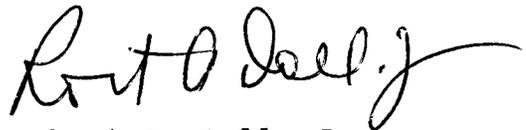
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of the City of Grand Junction, Tennessee as of June 30, 2012, 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, the Sanitation Fund and the Drug 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 December 21, 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

December 21, 2012

CITY OF GRAND JUNCTION, TENNESSEE
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Total</u>	<u>Governmental Activities</u>	<u>Business Activities</u>
ASSETS			
Cash in bank and on hand	\$ 134,099	\$ 106,235	\$ 27,864
Certificates of deposit	169,497	57,771	111,726
Internal balances		(2,576)	2,576
Receivables:			
Water and sewer fees, net of \$ 1,000	18,322		18,322
allowance for uncollectables			
Property taxes, net of \$ 2,000 allowance	55,826	55,826	
for uncollectables	13,755	13,755	
Other			
Capital assets, net of accumulated	<u>1,177,146</u>	<u>214,295</u>	<u>962,851</u>
depreciation	<u>\$ 1,568,645</u>	<u>\$ 445,306</u>	<u>\$ 1,123,339</u>
LIABILITIES			
Accounts payable	\$ 15,331	\$ 8,278	\$ 7,053
Meter deposits payable	38,066		38,066
Deferred revenue- 2012 taxes	47,896	47,896	
Long-term liabilities due within one year	5,212		5,212
Long-term liabilities due beyond one year	<u>350,028</u>	<u>350,028</u>	<u>350,028</u>
Total Liabilities	<u>456,533</u>	<u>56,174</u>	<u>400,359</u>
NET ASSETS			
Investment in capital assets, net of			
related debt	821,906	214,295	607,611
Restricted for:			
State Street AID	(233)	(233)	
Sanitation	1,408	1,408	
Drug	9,214	9,214	
Unrestricted	<u>279,817</u>	<u>164,448</u>	<u>115,369</u>
Total Net Assets	<u>1,112,112</u>	<u>389,132</u>	<u>722,980</u>
	<u>\$ 1,568,645</u>	<u>\$ 445,306</u>	<u>\$ 1,123,339</u>

See accompanying notes to financial statements.

CITY OF GRAND JUNCTION, TENNESSEE
 STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2012

FUNCTIONS/PROGRAM:	Program		Operating Grants & Donations	Revenues	Net (Expenses) Revenue and Changes in Net Assets	Total
	Expenses	Charges For Services				
Governmental Activities:						
Police	\$ 87,049	\$ 27,424	\$	\$ 64,257	\$ (59,625)	\$ (59,625)
Administration	83,159	25,646		64,257	6,744	6,744
Streets & highways	49,210				(40,157)	(40,157)
Sanitation	12,833	16,245			3,412	3,412
Fire	13,530	2,000			(10,430)	(10,430)
Other	23,828	900			(22,928)	(22,928)
	<u>269,609</u>	<u>72,215</u>	<u>10,153</u>	<u>64,257</u>	<u>(122,984)</u>	<u>(122,984)</u>
Business Activities:						
Water & Sewer	265,683	212,266			(53,417)	(53,417)
	<u>\$ 535,292</u>	<u>\$ 284,481</u>	<u>\$ 10,153</u>	<u>\$ 64,257</u>	<u>(122,984)</u>	<u>(176,401)</u>
General Revenues:						
Sales tax					64,553	64,553
Beer tax					56,170	56,170
Property taxes					51,372	51,372
TVA Replacement tax					3,755	3,755
Income tax					2,306	2,306
Interest earnings					1,302	2,757
Excise tax					877	877
Other					23,887	23,887
Total General Revenues					<u>204,222</u>	<u>205,677</u>
Change in Net Assets					81,238	29,276
Net Assets, July 1, 2011					307,894	1,082,836
Net Assets, June 30, 2012					<u>\$ 389,132</u>	<u>\$ 1,112,112</u>

See accompanying notes to financial statements.

CITY OF GRAND JUNCTION, TENNESSEE
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2012

ASSETS				
	Total	General	Street	Sanitation
	Governmental	Fund	Aid	Fund
	Funds	Fund	Fund	Fund
Cash - checking and on hand	\$ 106,235	\$ 93,073	\$ 1,011	\$ 2,937
Certificates of deposit	57,771	57,771	728	1,365
Accounts receivable	13,755	13,027	(1,400)	—
Due from other City funds	318	353	—	—
Property taxes, net of \$ 2,000 allowance for uncollectables	55,826	55,826	—	—
	<u>\$ 233,905</u>	<u>\$ 220,050</u>	<u>\$ 339</u>	<u>\$ 4,302</u>
				<u>\$ 9,214</u>
LIABILITIES				
Accounts payable	\$ 8,278	\$ 7,706	\$ 572	\$ 2,894
Due to other City funds	2,894	47,896	—	—
Deferred revenue- 2012 taxes	47,896	55,602	572	2,894
	<u>59,068</u>			
FUND BALANCES				
Restricted	(233)	—	(233)	—
State Street Aid	1,408	—	—	1,408
Sanitation	9,214	—	—	—
Drug	—	—	—	9,214
Unassigned	164,448	164,448	—	—
General	174,837	164,448	(233)	1,408
	<u>\$ 233,905</u>	<u>\$ 220,050</u>	<u>\$ 339</u>	<u>\$ 4,302</u>
				<u>\$ 9,214</u>

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, 2012

	General Fund	Street Aid Fund	Sanitation Fund	Drug Fund	Total
REVENUES:					
Taxes	\$ 149,985	\$	\$	\$	\$ 149,985
Intergovernmental	29,715	8,386		3,929	38,101
Fines and tickets-net	23,495		16,245		27,424
Service fees	2,000			4	18,245
Miscellaneous	117,088				117,092
	<u>322,283</u>	<u>8,386</u>	<u>16,245</u>	<u>3,933</u>	<u>350,847</u>
EXPENDITURES:					
Administration	145,646				145,646
Police department	100,245			2,213	102,458
Streets and highways	39,748	8,537			48,285
Fire department	13,530		12,833		13,530
Sanitation			12,833		12,833
Other	23,828				23,828
	<u>322,997</u>	<u>8,537</u>	<u>12,833</u>	<u>2,213</u>	<u>346,580</u>
EXCESS REVENUES (EXPENDITURES)	(714)	(151)	3,412	1,720	4,267
FUND BALANCE, July 1, 2011	<u>165,162</u>	<u>(82)</u>	<u>(2,004)</u>	<u>7,494</u>	<u>170,570</u>
FUND BALANCE, June 30, 2012	<u>\$ 164,448</u>	<u>\$ (233)</u>	<u>\$ 1,408</u>	<u>\$ 9,214</u>	<u>\$ 174,837</u>

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, 2012

Net Change in Fund Balances- Total		\$ 4,267
Governmental Funds		
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	\$ 85,733	
Depreciation expense	<u>(8,762)</u>	<u>76,971</u>
Change in Net Assets of Governmental Activities		<u>\$ 81,238</u>

See accompanying notes to financial statements

CITY OF GRAND JUNCTION, TENNESSEE
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND- WATER & SEWER
JUNE 30, 2012

ASSETS

Current Assets:	
Cash- checking and on hand	\$ 27,864
Certificates of deposit	111,726
Customer fees, net of \$ 1,000 allowance for uncollectables	18,322
Due from other city funds	<u>2,576</u>
Total Current Assets	<u>160,488</u>
Plants in service	1,954,859
Less accumulated depreciation	<u>(992,008)</u>
Total Plants in Service	<u>962,851</u>
	<u>\$ 1,123,339</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 7,053
Customer deposits	38,066
Notes payable- Current Portion	<u>5,212</u>
Total Current Liabilities	<u>50,331</u>
Notes Payable- Long-term Portion	<u>350,028</u>
Total Liabilities	<u>400,359</u>
Net Assets:	
Invested in capital assets, net of related debt	607,611
Unrestricted	<u>115,369</u>
Total Net Assets	<u>722,980</u>
	<u>\$ 1,123,339</u>

See accompanying notes to financial statements.

CITY OF GRAND JUNCTION, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
PROPRIETARY FUND- WATER AND SEWER
YEAR ENDED JUNE 30, 2012

OPERATING REVENUES:	
Water charges	\$ 143,642
Sewer charges	54,556
Miscellaneous	<u>14,068</u>
	<u>212,266</u>
OPERATING EXPENSES:	
Salaries and related expenses	95,171
Depreciation	60,421
Repairs and maintenance	41,071
Utilities	20,407
Rent	18,000
Professional and technical fees	7,577
Insurance	2,448
Office and miscellaneous	<u>4,479</u>
	<u>249,574</u>
Operating income (loss)	<u>(37,308)</u>
NON-OPERATING INCOME (EXPENSES):	
Interest income	1,455
Interest expense	<u>(16,109)</u>
	<u>(14,654)</u>
CHANGE IN NET ASSETS	(51,962)
NET ASSETS, July 1, 2011	<u>774,942</u>
NET ASSETS, June 30, 2012	<u><u>\$ 722,980</u></u>

See accompanying notes to financial statements.

CITY OF GRAND JUNCTION, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND- WATER AND SEWER
YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 209,093	
Cash paid to employees for services	(95,171)	
Cash payments to suppliers for goods and services	(91,118)	
Cash refunded on customer deposits	<u>(120)</u>	
Net cash provided by operating activities		\$ 22,684
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Debt service		(21,096)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments		<u>1,134</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,722
CASH AND CASH EQUIVALENTS, beginning of year		<u>25,142</u>
CASH AND CASH EQUIVALENTS, end of year		<u>\$ 27,864*</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)		\$(37,308)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Increase in accounts receivable	\$ (3,173)	
Depreciation	60,421	
Increase in accounts payable	<u>2,744</u>	<u>59,992</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>\$ 22,684</u>

* 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, 2012

	Budgeted Original/ <u>Final</u>	Actual <u>Amounts</u>	Over (Under) Final <u>Budget</u>
REVENUES:			
Taxes:			
Beer	\$ 50,000	\$ 56,010	\$ 6,010
Property	52,000	51,372	(628)
Sales	<u>35,000</u>	<u>42,603</u>	<u>7,603</u>
	<u>137,000</u>	<u>149,985</u>	<u>12,985</u>
Intergovernmental:			
Sales tax	21,000	21,950	950
TVA Replacement tax	3,500	3,755	255
Income tax	1,000	2,306	1,306
Excise tax	1,200	877	(323)
Streets & transportation	700	667	(33)
Beer tax	<u>170</u>	<u>160</u>	<u>(10)</u>
	<u>27,570</u>	<u>29,715</u>	<u>2,145</u>
Fines and tickets- net	<u>50,000</u>	<u>23,495</u>	<u>(26,505)</u>
Service Fees:			
Fire calls	<u>2,000</u>	<u>2,000</u>	<u> </u>
Miscellaneous:			
Grants		64,257	64,257
Rents	18,500	18,900	400
Permits	5,000	6,746	1,746
Interest earnings	100	1,298	1,198
Donations	2,000	1,357	(643)
Other	<u>5,000</u>	<u>24,530</u>	<u>19,530</u>
	<u>30,600</u>	<u>117,088</u>	<u>86,488</u>
TOTAL REVENUES	<u>247,170</u>	<u>322,283</u>	<u>75,113</u>

CITY OF GRAND JUNCTION, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2012
(CONTINUED)

	Budgeted Original/ <u>Final</u>	Actual <u>Amounts</u>	Over (Under) Final <u>Budget</u>
EXPENDITURES (CONTINUED):			
Police Department:			
Salaries and related expenses	\$ 71,000	\$ 52,739	\$(18,261)
Capital outlay		15,595	15,595
Repairs and supplies	8,000	10,455	2,455
Utilities	5,000	8,146	3,146
Fuel	9,000	6,651	(2,349)
Insurance	7,700	6,411	(1,289)
Training	1,000	80	(920)
Court costs	3,000		(3,000)
Office & miscellaneous	<u>1,000</u>	<u>168</u>	<u>(832)</u>
	<u>105,700</u>	<u>100,245</u>	<u>(5,455)</u>
Administration:			
Capital outlay		70,138	70,138
Salaries and related expenses	45,000	33,961	(11,039)
Repairs & maintenance	4,800	9,753	4,953
Utilities	10,000	9,640	(360)
Professional fees	2,000	5,622	3,622
Insurance	2,000	5,196	3,196
Advertising & dues	2,700	3,149	449
Board per diem	2,400	2,400	
Office & miscellaneous	<u>4,500</u>	<u>5,787</u>	<u>1,287</u>
	<u>73,400</u>	<u>145,646</u>	<u>72,246</u>
Streets and Highways:			
Salaries and related expenses	45,000	34,893	(10,107)
Fuel		2,264	2,264
Repairs and supplies		2,154	2,154
Insurance		296	296
Office & miscellaneous		<u>141</u>	<u>141</u>
	<u>45,000</u>	<u>39,748</u>	<u>(5,252)</u>

CITY OF GRAND JUNCTION, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2012
(CONTINUED)

	Budgeted Original/ <u>Final</u>	Actual <u>Amounts</u>	Over (Under) Final <u>Budget</u>
EXPENDITURES (CONTINUED):			
Fire Department:			
Per diem- volunteers	\$ 3,500	\$ 3,720	\$ 220
Fuel	2,500	3,235	735
Repairs & maintenance	4,000	2,902	(1,098)
Insurance	3,100	1,840	(1,260)
Utilities	1,300	894	(406)
Training		600	600
Office & miscellaneous	<u>500</u>	<u>339</u>	<u>(161)</u>
	<u>14,900</u>	<u>13,530</u>	<u>(1,370)</u>
Other:			
Library	12,000	13,509	1,509
Recreation	4,500	6,789	2,289
Community center	<u>4,000</u>	<u>3,530</u>	<u>(470)</u>
	<u>20,500</u>	<u>23,828</u>	<u>3,328</u>
TOTAL EXPENDITURES	<u>259,500</u>	<u>322,997</u>	<u>63,497</u>
EXCESS REVENUES (EXPENDITURES)	(12,330)	(714)	11,616
FUND BALANCE, July 1, 2011	<u>165,162</u>	<u>165,162</u>	<u></u>
FUND BALANCE, June 30, 2012	<u>\$ 152,832</u>	<u>\$ 164,448</u>	<u>\$ 11,616</u>

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, SANITATION AND DRUG FUNDS
 YEAR ENDED JUNE 30, 2012

	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	\$ 8,000	\$ 8,386	\$ 386						
Service fees				\$ 17,000	\$ 16,245	\$ (755)			
Fines and tickets								\$ 3,929	\$ 3,929
Interest earned								4	4
	<u>8,000</u>	<u>8,386</u>	<u>386</u>	<u>17,000</u>	<u>16,245</u>	<u>(755)</u>		<u>3,933</u>	<u>3,933</u>
EXPENDITURES:									
Street lights	6,000	6,812	812						
Fuel	1,000	812	(188)	12,555	12,555			2,213	2,213
Repairs and supplies	3,000	445	(2,555)	1,000	278	(722)			
Contracted services	1,000	468	(532)	13,555	12,833	(722)			
	<u>11,000</u>	<u>8,537</u>	<u>(2,463)</u>	<u>13,555</u>	<u>12,833</u>	<u>(722)</u>		<u>2,213</u>	<u>2,213</u>
EXCESS REVENUES (EXPENDITURES)	(3,000)	(151)	2,849	3,445	3,412	(33)		1,720	1,720
FUND BALANCE, July 1, 2011	(82)	(82)		(2,004)	(2,004)		7,494	7,494	
FUND BALANCE, June 30, 2012	<u>\$ (3,082)</u>	<u>\$ (233)</u>	<u>\$ 2,849</u>	<u>\$ 1,441</u>	<u>\$ 1,408</u>	<u>\$ (33)</u>	<u>\$ 7,494</u>	<u>\$ 9,214</u>	<u>\$ 1,720</u>

See accompanying notes to financial statements.

CITY OF GRAND JUNCTION, TENNESSEE
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 or 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

CITY OF GRAND JUNCTION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

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 the 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 Drug 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.

CITY OF GRAND JUNCTION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

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, 2012, the General Fund and Drug Fund expenditures exceeded appropriations by \$ 63,497 and \$ 2,213, 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 of these charges would distort direct

CITY OF GRAND JUNCTION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

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

CITY OF GRAND JUNCTION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

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.

Fund balances reporting

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, Fund Reporting and Governmental Fund Type Definitions. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. The different types as identified in GASB 54 used by the City of Grand Junction are:

Restricted- Includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Unassigned- Includes the residual classification for the government's general fund and all spendable amounts not contained in any other classification.

When an expenditure is available in either classification, the restricted fund balance is depleted before unassigned.

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.

CITY OF GRAND JUNCTION, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)

NOTE 4- CAPITAL ASSETS

Changes in capital assets for the year was as follows:

	Balance <u>6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/12</u>
Governmental Activities:				
Not depreciated:				
Land	\$ 5,000	\$	\$	\$ 5,000
Depreciated:				
Buildings	132,479	63,138		195,617
Equipment	42,898	22,595		65,493
Street Improvements	<u>29,970</u>			<u>29,970</u>
	205,347	85,733		291,080
Less Accum. Depr.	<u>(73,023)</u>	<u>(8,762)</u>		<u>(81,785)</u>
	<u>132,324</u>	<u>76,971</u>		<u>209,295</u>
	<u>\$ 137,324</u>	<u>\$ 76,971</u>	<u>\$</u>	<u>\$ 214,295</u>
Business-Type Activities:				
Not depreciated:				
Land	\$ 80,269	\$	\$	\$ 80,269
Depreciated:				
Building	64,005			64,005
Systems	1,672,990			1,672,990
Equipment	<u>137,594</u>			<u>137,594</u>
	1,874,589			1,874,589
Less Accum. Depr.	<u>(931,587)</u>	<u>(60,421)</u>		<u>(992,008)</u>
	<u>943,002</u>	<u>(60,421)</u>		<u>882,581</u>
	<u>\$ 1,023,271</u>	<u>\$ (60,421)</u>	<u>\$</u>	<u>\$ 962,850</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 7,651
Streets & highways	925
Police department	<u>186</u>
	<u>\$ 8,762</u>

CITY OF GRAND JUNCTION, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)

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, 2012, \$ 4,987 of principal was repaid. Future debt service requirements are as follows:

<u>Fiscal Year</u>	<u>Annual Payment</u>	<u>Principal</u>	<u>Interest</u>
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	21,096	6,240	14,856
2018-22	105,480	35,755	69,725
2023-27	105,480	44,760	60,720
2028-32	105,480	56,031	49,449
2033-37	105,480	74,567	30,913
2038-42	105,480	87,800	17,680
2043-44	<u>28,367</u>	<u>27,760</u>	<u>607</u>
	<u>\$ 661,247</u>	<u>\$ 355,240</u>	<u>\$ 306,007</u>

NOTE 6- INTERFUND TRANSFERS

There were no interfund transfers during the year ended June 30, 2012.

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 \$ 858 to the plan for the year ended June 30, 2012.

NOTE 8- UTILITY CUSTOMERS AND RATES

At June 30, 2012, there were 477 water and 228 sewer customers using the systems. The billing rates were as follows:

	<u>Inside City</u>	<u>Outside City</u>	<u>Usage</u>
Water	\$ 13.47 .25	\$ 20.32 .37	First 2,000 gallons Per additional 100 gallons
Sewer			100% of Water bill

CITY OF GRAND JUNCTION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

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, 2012

<u>Year of Levy</u>	<u>Tax Rate</u>	<u>Assessed Value</u>	<u>Receivable</u>
2011	\$.74	\$ 6,290,324	\$ 3,548
2010	.74	6,259,216	2,153
2009	.74	7,065,354	1,189
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
Prior			<u>1,384</u>
			9,930
2012- unlevied taxes			<u>47,896</u>
			<u>\$ 57,826</u>

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, 2011	\$ 8,568
ADD:	
2011 Levy	<u>46,626</u>
	55,194
LESS:	
Collections- prior years levies	\$ 2,186
Collections- 2011 levy	<u>43,078</u>
	<u>45,264</u>
LEVIED PROPERTY TAXES RECEIVABLE, June 30, 2012	<u>\$ 9,930</u>

CITY OF GRAND JUNCTION, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2012

State Financial Assistance:	TN. Dept. of Economic and Community Development	
Contract Number:	<u>GG-1133471</u>	<u>GG-1037154</u>
Beginning (Accrued) Deferred	\$ (42,743)	\$
Cash Receipts	100,000	7,000
Expenditures	<u>(57,257)</u>	<u>(7,000)</u>
Ending (Accrued) Deferred	<u>\$ 0*</u>	<u>\$ 0*</u>

* 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, 2012. 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

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**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, 2012, and have issued my report thereon dated December 21, 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.

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

December 21, 2012