

**TOWN OF HUNTSVILLE, TENNESSEE**

Annual Financial Report

For the Year Ended June 30, 2012

# TOWN OF HUNTSVILLE, TENNESSEE

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## INTRODUCTORY SECTION

**TOWN OF HUNTSVILLE, TENNESSEE**

Officials of the Town of Huntsville, Tennessee

June 30, 2012

<u>Name</u>	<u>Title</u>
Elected Officials:	
George Potter	Mayor
Mark Love	Vice - Mayor
Paul Lay	Alderman
Charles Sexton	Alderman
Kris Lewallen	Alderman
Management:	
Wendy Buttram	Town Recorder

**FINANCIAL SECTION**

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

**Independent Auditor's Report**

Mayor and Aldermen of the  
Town of Huntsville, Tennessee  
Huntsville, Tennessee

I have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the Town of Huntsville, Tennessee as of and for the year ended June 30, 2012, 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 of Huntsville's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial reporting as 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 the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business - type activities, and each major fund of the Town of Huntsville, Tennessee as of June 30, 2012, and the respective changes in financial position and the cash flows where applicable, thereof and the respective budgetary comparison for the General Fund, State Street Aid Fund, and Fire Department 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 September 30, 2012 on the consideration of the Town of Huntsville's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of the 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 the audit.

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information which includes the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information including the Management's Discussion and Analysis in accordance with auditing standards generally accepted in the United State 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 my inquiries, the basic financial statements and other knowledge we obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Introductory Section and the Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Introductory Section and the Supplementary Information have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the Introductory Section and the Supplementary Information, is fairly stated in all material respects in relation to the basic financial statements as a whole.

*John R Poole, CPA*

September 30, 2012

## TOWN OF HUNTSVILLE, TENNESSEE

### Management's Discussion and Analysis

As management of the Town of Huntsville, Tennessee (the Town) we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Town. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

#### **Financial Highlights:**

The assets of the Town of Huntsville exceeded its liabilities at the close of the most recent fiscal year by \$5,871,121. Of this amount, \$170,640 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets decreased by \$132,675 primarily as a result of the Town receiving fewer grants during the year. Revenues were \$40,574 more than the prior year due to a capital grant used to make improvements at City Hall and the fire department. Expenses were \$4,106 higher due to repair and maintenance costs. The Town's sewer system's net assets decreased by \$130,223 due to depreciation of \$133,389. The system continues to struggle due to the low amount of customers and the high fixed operating costs.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$109,506 a decrease of \$61,817 in comparison to the prior year. The decrease is related to the Town's repair and maintenance expenses on the streets. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$101,656 or 18% of the total general fund expenditures.

The Town's total debt decreased by \$50,202 during the current fiscal year. All loans are paying as scheduled.

#### **Overview of the Financial Statements:**

This discussion and analysis is intended to serve as an introduction to the Town of Huntsville'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. The 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 the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Huntsville include general government, personnel, finance, parks, codes, planning, police, fire, disposal service, program service, streets and public works. The business-type activities of the Town involves sewer operations. The government-wide financial statements can be found on pages 11-12 of this report.

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

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

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

The Town maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all funds which are considered to be major funds.

The Town of Huntsville adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Proprietary Funds. The Town of Huntsville maintains only one type of proprietary fund. It uses an enterprise fund to report the same functions presented in the business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its sewer operations. The basic proprietary fund financial statements can be found on pages 18-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-35 of this report.

### **Financial Analysis of the Financial Statements --Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Huntsville, assets exceeded liabilities by \$5,871,121 at the close of the most recent fiscal year.

By far the largest portion of the Town's assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt use to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Financial Analysis of the Financial Statements ---Town of Huntsville's Net Assets- 2012**

	Governmental Activities	Business-type Activities
Current and other assets	\$ 378,346	\$ 87,085
Capital assets	<u>2,190,122</u>	<u>3,893,757</u>
Total assets	2,568,468	3,980,842
Long-term liabilities outstanding	57,868	336,364
Other liabilities	<u>268,840</u>	<u>15,117</u>
Total liabilities	326,708	351,481
Net assets:		
Invested in capital assets, net of related debt	2,132,254	3,557,393
Restricted	876	9,958
Unrestricted	<u>108,630</u>	<u>62,010</u>
Total net assets	\$ 2,241,760	\$3,629,361

**Financial Analysis of the Financial Statements ---Town of Huntsville's Net Assets- 2011**

	Governmental Activities	Business-type Activities
Current and other assets	\$ 366,463	\$ 107,344
Capital assets	<u>2,157,533</u>	<u>4,027,147</u>
Total assets	2,523,996	4,134,491
Long-term liabilities outstanding	84,644	359,790
Other liabilities	<u>195,140</u>	<u>15,117</u>
Total liabilities	279,784	374,907
Net assets:		
Invested in capital assets, net of related debt	2,072,889	3,667,357
Restricted	3,378	9,706
Unrestricted	<u>167,945</u>	<u>82,521</u>
Total net assets	\$ 2,244,212	\$3,759,584

At the end to the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

**Comparison between revenues and expenses between years.**

	<u>2012</u>	<u>2011</u>	<u>Change Between Years</u>
<b>Revenues:</b>			
Charges for services	192,806	208,995	(16,189)
Operating grants and contributions	58,641	85,745	(27,104)
Capital grants and contributions	96,331	0	96,331
Property taxes	160,045	158,610	1,435
Sales taxes	165,667	167,513	(1,846)
Locally assessed taxes	66,657	63,960	2,697
Other state shared revenues	6,824	11,157	(4,333)
Other revenues	6,799	17,216	(10,417)
<b>Total Revenues</b>	<u><u>\$753,770</u></u>	<u><u>\$713,196</u></u>	<u><u>\$40,574</u></u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	143,814	130,781	13,033
Recreation	43,354	18,317	25,037
Fire department	89,380	96,851	(7,471)
Swimming pool	24,245	24,992	(747)
Highways and streets	236,371	274,772	(38,401)
Parks	31,977	19,253	12,724
Sanitation	11,703	11,480	223
Sewer	305,601	305,893	(292)
<b>Total Expenditures</b>	<u><u>\$886,445</u></u>	<u><u>\$882,339</u></u>	<u><u>\$4,106</u></u>
<b>Increases in net assets</b>	<u><u>(132,675)</u></u>	<u><u>(169,143)</u></u>	<u><u>36,468</u></u>

The assets of the Town of Huntsville exceeded its liabilities at the close of the most recent fiscal year by \$5,871,121. Of this amount, \$170,640 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets decreased by \$132,675 primarily as a result of the Town receiving fewer grants during the year. Revenues were \$40,574 more than the prior year due to a capital grant used to make improvements at City Hall and the fire department. Expenses were \$4,106 higher due to repair and maintenance costs. The Town's sewer system's net assets decreased by \$130,223 due to depreciation of \$133,389. The system continues to struggle due to the low amount of customers and the high fixed operating costs.

### General Fund Budgetary Highlights

The Town amended its budget to account for grant activity and unplanned expenditures during the year. The Town exceeded some of these budgets during the year. See pages 21-25 for further analysis.

### Capital Assets

The Town of Huntsville's investment in capital assets from its governmental activities is \$2,190,122 and business-type activities at June 30, 2012, amounts to \$3,893,757 (net of accumulated depreciation). This investment in capital assets is in land, buildings, improvements, machinery and equipment, park facilities, roads, highways and bridges.

#### Town of Huntsville's Capital Assets -2012

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Land	\$ 100,000	\$ 0
Buildings and Improvements	1,435,756	5,677,729
Infrastructure	618,577	0
Machinery and Equipment	<u>900,189</u>	<u>82,819</u>
Less accumulated depreciation	(864,400)	(1,866,791)
Net Capital Assets	\$ <u>2,190,122</u>	\$ <u>3,893,757</u>

#### Town of Huntsville's Capital Assets -2011

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Land	\$ 100,000	\$ 0
Buildings and Improvements	1,356,711	5,677,729
Infrastructure	602,577	0
Machinery and Equipment	<u>878,689</u>	<u>82,819</u>
Less accumulated depreciation	(798,963)	(1,733,401)
Net Capital Assets	\$ <u>2,157,533</u>	\$ <u>4,027,147</u>

### Long-Term Debt

At the end of the current year, the Town of Huntsville has debt outstanding of \$394,232. The general obligation debt \$57,868 is backed by the full faith and credit of the government and the remainder of the debt \$336,364 of the Town represents bonds secured by both the taxing power of the Town and specific revenue sources (i.e., revenue and tax bonds) of the enterprise fund. Additional information on the Town of Huntsville's debt can be found in the notes to the financial statements section of this report. All debt is being paid as scheduled.

### **Economic Factors and Next Year's Budget and Rates**

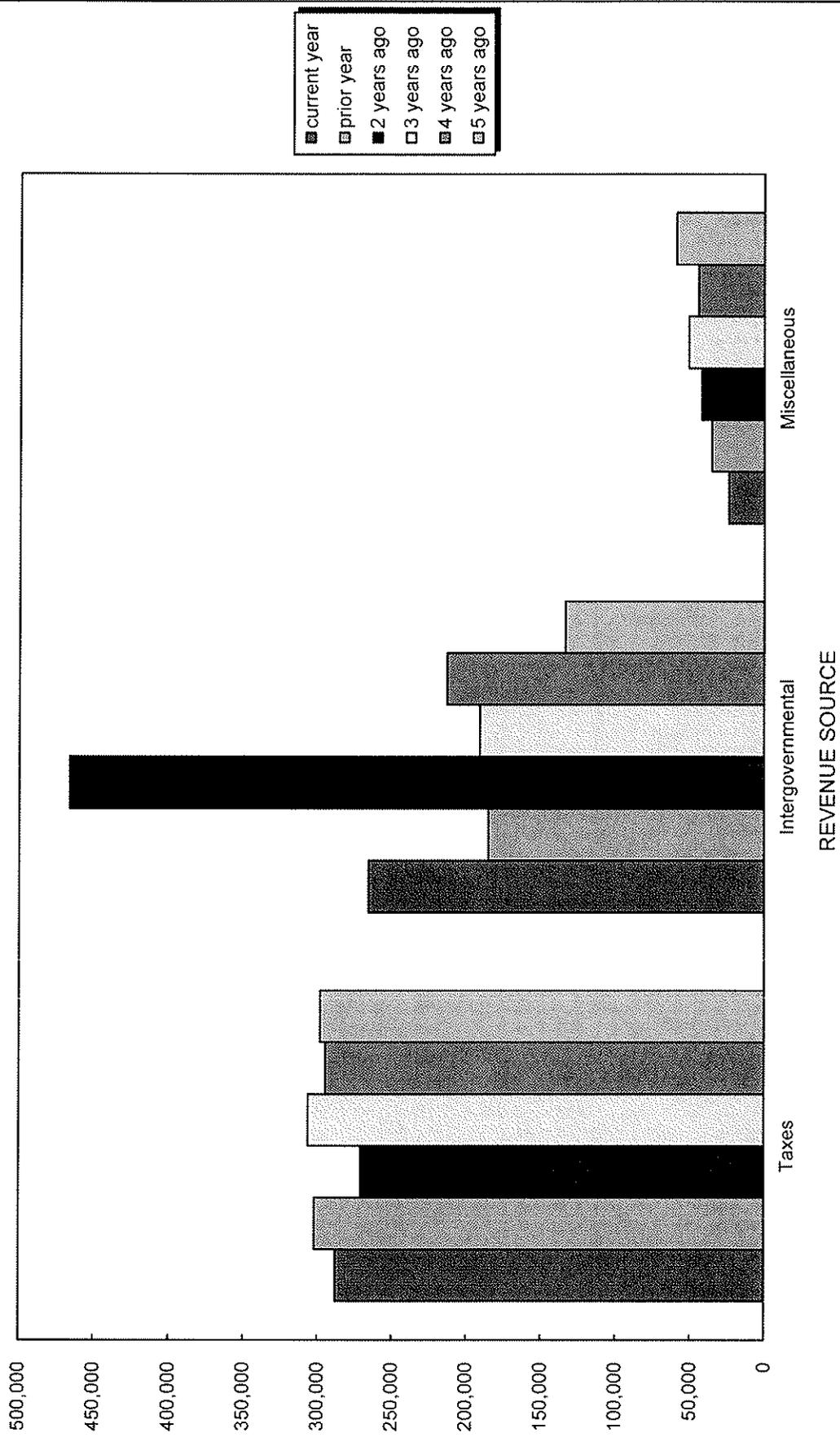
In the 2012-2013 budget, General fund revenues are budgeted to increase by from the 2011-2012 budget year primarily due to increased activity in the local economy. The Town's budget should benefit by an expanding commercial and retail base producing increased local sales tax receipts.

#### Requests for Information

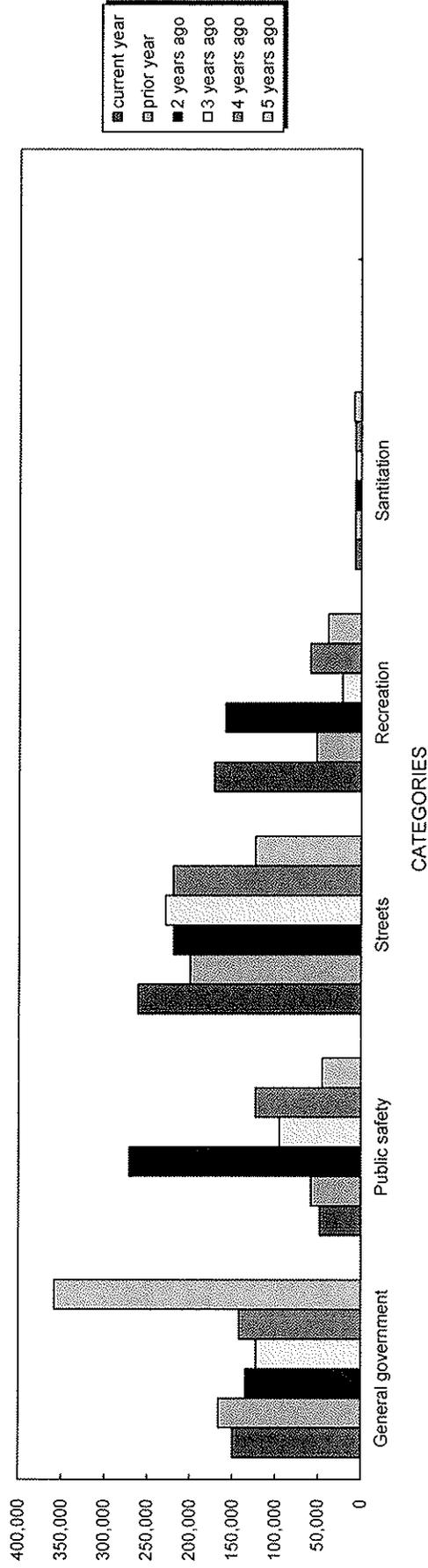
This financial report is designed to provide a general overview of the Town of Huntsville, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed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

Wendy Buttram  
Town of Huntsville

**TOWN OF HUNTSVILLE, TENNESSEE  
GOVERNMENTAL FUND REVENUES**



**TOWN OF HUNTSVILLE, TENNESSEE  
GOVERNMENTAL FUND EXPENDITURES**



# **BASIC FINANCIAL STATEMENTS**

TOWN OF HUNTSVILLE, TENNESSEE

Statement of Net Assets

June 30, 2012

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Cash and cash equivalents	100,606	40,072	140,678
Certificate of deposit	0	35,000	35,000
Receivables:			
Capital assets not being depreciated	277,740	12,013	289,753
Capital assets not being depreciated	100,000	0	100,000
Capital assets, net of accumulated depreciation			
Total Assets	<u>2,090,122</u>	<u>3,893,757</u>	<u>5,983,879</u>
	<u>2,568,468</u>	<u>3,980,842</u>	<u>6,549,310</u>
<b>Liabilities</b>			
Accounts payable	74,063	14,187	88,250
Accrued expenses	3,133	0	3,133
Deferred revenue	191,644	0	191,644
Customer deposits	0	930	930
Long-term liabilities:			
Due within one year	18,288	21,215	39,503
Due in more than one year	39,580	315,149	354,729
Total Liabilities	<u>326,708</u>	<u>351,481</u>	<u>678,189</u>
<b>Net assets:</b>			
Investments in capital assets, net of related debt	2,132,254	3,557,393	5,689,647
Restricted- Debt service	0	9,958	9,958
Restricted- Fire department	590	0	590
Restricted- State Street aid	286	0	286
Unrestricted	108,630	62,010	170,640
Total Net Assets	<u>2,241,760</u>	<u>3,629,361</u>	<u>5,871,121</u>

See accompanying notes to financial statements.

TOWN OF HUNTSVILLE, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2012

Function/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Government Activities:						
General government	143,814	0	0	96,331	(47,483)	0
Recreation center	43,354	0	0	0	(43,354)	0
Swimming pool	24,245	14,355	0	0	(9,890)	0
Parks	31,977	0	0	0	(31,977)	0
Fire department	89,380	0	21,945	0	(67,435)	0
Sanitation	11,703	3,685	0	0	(8,018)	0
Highways and streets	236,371	0	36,696	0	(199,675)	0
Total Governmental Activities	580,844	18,040	58,641	96,331	(407,832)	0
Business - type Activities:						
Sewer	305,601	174,766	0	0	0	(130,835)
Total Business Type Activities	305,601	174,766	0	0	0	(130,835)
Total	886,445	192,806	58,641	96,331	(407,832)	(130,835)
General Revenues:						
Property taxes					129,387	0
Public utility tax					30,658	0
Sales taxes					165,667	0
Beer taxes					42,249	0
Business taxes					19,394	0
Franchise taxes					5,014	0
State income and excise taxes					6,824	0
Interest income					127	612
Other					6,060	0
Total general revenues					405,380	612
Changes in net assets					(2,452)	(130,223)
Net assets - beginning of year					2,244,212	3,759,584
Net assets - ending of year					2,241,760	3,629,361

See accompanying notes to financial statements.

**FUND FINANCIAL STATEMENTS**

**TOWN OF HUNTSVILLE, TENNESSEE**

**Balance Sheet**

**Governmental Funds**

**June 30, 2012**

<u>Assets</u>	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Fire Department</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$99,854	\$162	\$590	\$100,606
Property tax receivable	179,001	0	0	179,001
Accounts receivable - other governments	92,948	5,791	0	98,739
Total Assets	\$371,803	\$5,953	\$590	\$378,346
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	\$71,325	\$2,738	\$0	\$74,063
Accrued expenses	3,133	0	0	3,133
Deferred revenue	188,715	2,929	0	191,644
Total Liabilities	263,173	5,667	0	268,840
Fund Equity:				
Fund balance:				
Unassigned	101,656	0	0	101,656
Assigned - Park	6,974	0	0	6,974
Restricted	0	286	590	876
Total Fund Balance	108,630	286	590	109,506
Total Liabilities and Fund Equity	\$371,803	\$5,953	\$590	\$378,346

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

TOWN OF HUNTSVILLE, TENNESSEE

Reconciliation of the Balance Sheet to the Statement of Net Assets  
of Governmental Activities

June 30, 2012

Amounts reported for fund balance - total governmental funds	\$ 109,506
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 governmental funds	2,190,122
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds	
Loans payable	<u>(57,868)</u>
Net assets of governmental activities	\$ <u>2,241,760</u>

**TOWN OF HUNTSVILLE, TENNESSEE**

**Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances**

**For the Year Ended June 30, 2012**

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Fire Department Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	288,123	0	0	288,123
Intergovernmental	207,401	36,696	21,945	266,042
Miscellaneous	24,227	0	0	24,227
<b>Total Revenues</b>	<b>\$519,751</b>	<b>\$36,696</b>	<b>\$21,945</b>	<b>\$578,392</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	137,390	0	0	137,390
Recreation center	43,354	0	0	43,354
Swimming pool	22,245	0	0	22,245
Fire department	0	0	48,440	48,440
Parks	28,503	0	0	28,503
Sanitation	6,978	0	0	6,978
Highway and streets	163,506	41,888	0	205,394
<b>Capital outlay</b>				
Highway and streets	37,500	0	0	37,500
Recreation center	79,045	0	0	79,045
<b>Debt service</b>				
Principal	26,776	0	0	26,776
Interest	4,584	0	0	4,584
<b>Total Expenditures</b>	<b>\$549,881</b>	<b>\$41,888</b>	<b>\$48,440</b>	<b>\$640,209</b>
<b>Excess (deficiency) of     revenues over expenditures</b>	<b>(30,130)</b>	<b>(5,192)</b>	<b>(26,495)</b>	<b>(61,817)</b>
Operating transfer: (in)/out	22,600	(2,100)	(20,500)	0
Net change in fund balance	<b>(52,730)</b>	<b>(3,092)</b>	<b>(5,995)</b>	<b>(61,817)</b>
Fund Balance, Beginning of year	161,360	3,378	6,585	171,323
Fund Balance, End of Year	<b>\$108,630</b>	<b>\$286</b>	<b>\$590</b>	<b>\$109,506</b>

See accompanying notes to financial statements.

TOWN OF HUNTSVILLE, TENNESSEE

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2012

Net change in fund balances - total governmental funds:	\$	(61,817)
Amounts reported for governmental activities in the statement of net assets are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Acquisition of capital assets		116,545
Depreciation expense		(83,956)
Expenses reported in the statement of activities that reduce long-term liabilities		
Principal payments of debt		<u>26,776</u>
Change in net assets of governmental activities	\$	<u>(2,452)</u>

TOWN OF HUNTSVILLE, TENNESSEE

Statement of Net Assets

Enterprise Fund

June 30, 2012

Assets

Current Assets:

Cash and cash equivalents	\$40,072
Certificate of deposit	35,000
Customer accounts receivable, net of allowance of \$2,310	12,013
Total Current Assets	<u>87,085</u>

Property, Plant and Equipment:

Utility plant in service	5,760,548
Less accumulated depreciation	<u>(1,866,791)</u>
Total Property, Plant and Equipment, Net	<u>3,893,757</u>

Total Assets \$3,980,842

Liabilities and Fund Equity

Current Liabilities (payable from current assets):

Accounts payable	\$14,187
Current maturities - long-term debt	21,215
Total Current Liabilities (payable from current assets)	<u>35,402</u>

Customer deposits 930

Long-Term Debt 315,149

Total Liabilities \$351,481

Net Assets:

Invested in capital assets, net of related debt	3,557,393
Restricted	9,958
Unrestricted	<u>62,010</u>

Total Net Assets \$3,629,361

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

TOWN OF HUNTSVILLE, TENNESSEE

Statement of Revenues, Expenses  
and Changes in Net Assets

Enterprise Fund

For the Year Ended June 30, 2012

Operating Revenues:	
User charges	\$174,766
Total Operating Revenues	<u>174,766</u>
Operating Expenses:	
Personnel costs	10,000
Dues	340
Repair and maintenance	28,695
Supplies	19,441
Sewer treatment	1,452
Utilities	66,227
Professional services	20,806
Insurance	5,356
Vehicle expense	1,906
Depreciation	133,389
Miscellaneous	1,286
Total Operating Expenses	<u>288,898</u>
Operating income (loss)	<u>(114,132)</u>
Nonoperating Revenues (Expenses):	
Interest expense	(16,703)
Interest income	612
Total Nonoperating Revenues (Expenses)	<u>(16,091)</u>
Net Change in net assets	(130,223)
Net Assets, July 1, 2011	<u>3,759,584</u>
Net Assets, June 30, 2012	<u>\$3,629,361</u>

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

TOWN OF HUNTSVILLE, TENNESSEE

Statement of Cash Flows

Proprietary Fund Type

Sewer Fund

For the Year Ended June 30, 2012

Cash Flows from Operating Activities:	
Cash received from customers	178,663
Cash paid to suppliers	(145,509)
Cash paid to employees	(10,000)
Net Cash Provided by Operating Activities	<u>23,154</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of plant and equipment	0
Interest paid	(16,703)
Repayment of debt	(23,426)
Net Cash Used by Capital and Related Financing Activities	<u>(40,129)</u>
Cash Flows from Investing Activities:	
Interest received	612
Net Cash Flows from Investing Activities:	<u>612</u>
Net Increase in Cash	(16,363)
Cash and Cash Equivalents, July 1, 2011	<u>56,435</u>
Cash and Cash Equivalents, June 30, 2012	<u>40,072</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	(114,132)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	133,389
Change in assets (increase) decrease:	
Accounts receivable	<u>3,897</u>
Net Cash Provided by Operating Activities	<u>23,154</u>

See accompanying notes to financial statements.

**TOWN OF HUNTSVILLE, TENNESSEE**

**Statement of Revenues, Expenditures  
and Changes in Fund Balance - Budget (GAAP Basis) and Actual**

**General Fund**

**For the Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Taxes:				
Property taxes	\$137,000	\$123,550	\$123,552	2
Public utility taxes	15,700	15,350	15,349	(1)
Penalty and interest	4,500	5,830	5,835	5
Local sales tax	107,000	69,925	77,380	7,455
Local beer tax	34,500	49,050	41,599	(7,451)
Local business taxes	24,000	15,130	19,394	4,264
Cable franchise tax	5,200	5,015	5,014	(1)
Total Taxes	<u>327,900</u>	<u>283,850</u>	<u>288,123</u>	<u>4,273</u>
Intergovernmental:				
TVA in lieu	14,560	15,310	15,309	(1)
State excise tax	8,050	4,515	4,514	(1)
Grants	0	96,325	96,331	6
State sales tax	85,000	88,290	88,287	(3)
State income tax	5,500	2,310	2,310	0
State beer tax	670	650	650	0
Total Intergovernmental Revenue	<u>113,780</u>	<u>207,400</u>	<u>207,401</u>	<u>1</u>
Miscellaneous:				
Interest income	870	130	127	(3)
Sale of assets	0	1,825	1,825	0
Swimming pool	9,000	14,355	14,355	0
Sanitation fees	4,350	3,685	3,685	0
Miscellaneous	2,500	4,235	4,235	0
Total Miscellaneous	<u>16,720</u>	<u>24,230</u>	<u>24,227</u>	<u>(3)</u>
Total Revenues	<u>458,400</u>	<u>515,480</u>	<u>519,751</u>	<u>4,271</u>

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

**TOWN OF HUNTSVILLE, TENNESSEE**

**Statement of Revenues, Expenditures  
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

**General Fund**

**For the Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Expenditures:				
General Government:				
Current:				
Personnel costs	\$97,600	\$73,050	\$73,053	3
Employee benefits	4,360	4,500	4,497	(3)
Public relations	3,000	13,250	13,250	0
Dues	500	325	326	1
Supplies	5,400	11,095	11,243	148
Uniforms	5,200	6,010	6,010	0
Utilities	3,750	3,400	3,398	(2)
Professional services	9,140	15,775	15,774	(1)
Donations	3,900	3,900	3,900	0
Insurance	6,850	3,340	3,343	3
Miscellaneous	1,500	2,415	2,596	181
	<u>141,200</u>	<u>137,060</u>	<u>137,390</u>	<u>330</u>
Debt service	17,800	12,985	12,801	(184)
Capital outlay	0	0	0	0
Total General Government	<u>159,000</u>	<u>150,045</u>	<u>150,191</u>	<u>146</u>
Street department:				
Personnel costs	86,670	94,700	95,287	587
Employee benefits	0	960	1,091	131
Supplies	10,500	14,290	16,282	1,992
Utilities	2,000	820	818	(2)
Maintenance and repair	18,000	29,645	12,846	(16,799)
Vehicle expenses	35,000	27,470	31,965	4,495
Insurance	9,300	3,430	4,200	770
Miscellaneous	0	1,015	1,017	2
	<u>161,470</u>	<u>172,330</u>	<u>163,506</u>	<u>(8,824)</u>
Debt service	0	0	18,559	18,559
Capital outlay	21,500	41,255	37,500	(3,755)
Total Street department	<u>182,970</u>	<u>213,585</u>	<u>219,565</u>	<u>5,980</u>

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

TOWN OF HUNTSVILLE, TENNESSEE

Statement of Revenues, Expenditures  
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued

General Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Expenditures:				
Recreation center:				
Personnel costs	\$0	\$0	\$1,372	1,372
Utilities	11,200	8,680	8,683	3
Professional costs	-	18,000	18,000	0
Maintenance and repair	5,300	10,255	11,501	1,246
Supplies	1,000	2,330	2,330	0
Miscellaneous	480	560	1,468	908
	<u>17,980</u>	<u>39,825</u>	<u>43,354</u>	<u>3,529</u>
Capital outlay	0	80,295	79,045	(1,250)
Total Recreation center	<u>17,980</u>	<u>120,120</u>	<u>122,399</u>	<u>2,279</u>
Swimming pool:				
Personnel costs	11,900	11,675	10,303	(1,372)
Supplies	5,300	5,080	5,079	(1)
Utilities	4,100	4,420	4,418	(2)
Maintenance and repair	2,400	1,735	1,737	2
Miscellaneous	1,400	910	708	(202)
	<u>25,100</u>	<u>23,820</u>	<u>22,245</u>	<u>(1,575)</u>
Capital outlay	0	0	0	0
Total Swimming pool	<u>25,100</u>	<u>23,820</u>	<u>22,245</u>	<u>(1,575)</u>
Parks:				
Contract services	5,200	5,255	5,257	2
Utilities	8,600	4,230	4,230	0
Maintenance and repair	20,000	12,010	18,866	6,856
Supplies	500	150	150	0
	<u>34,300</u>	<u>21,645</u>	<u>28,503</u>	<u>6,858</u>
Capital outlay	0	0	0	0
Total Park	<u>34,300</u>	<u>21,645</u>	<u>28,503</u>	<u>6,858</u>
Sanitation	<u>11,180</u>	<u>12,960</u>	<u>6,978</u>	<u>(5,982)</u>
Total Expenditures	<u>419,350</u>	<u>529,215</u>	<u>549,881</u>	<u>13,688</u>
Excess (deficiency) of Revenues over Expenditures	39,050	(13,735)	(30,130)	(9,417)
Operating transfer (source) use	<u>27,870</u>	<u>22,750</u>	<u>22,600</u>	<u>(150)</u>
Net increase in fund balance	<u>11,180</u>	<u>(36,485)</u>	<u>(52,730)</u>	<u>(16,245)</u>
Fund Balance, July 1, 2011	161,360	161,360	161,360	0
Fund Balance, June 30, 2012	<u>172,540</u>	<u>124,875</u>	<u>108,630</u>	<u>(16,245)</u>

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

TOWN OF HUNTSVILLE, TENNESSEE

Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual

State Street Aid Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Intergovernmental:				
State gasoline tax	37,730	36,695	36,696	1
Miscellaneous:				
Interest	0	0	0	0
Total Revenues	<u>37,730</u>	<u>36,695</u>	<u>36,696</u>	<u>1</u>
Expenditures:				
Streets:				
Street lighting	42,250	39,200	41,888	2,688
Maintenance and repair	0	0	0	0
Total Expenditures	<u>42,250</u>	<u>39,200</u>	<u>41,888</u>	<u>2,688</u>
Excess (deficiency) of revenues over expenditures	(4,520)	(2,505)	(5,192)	2,687
Operating transfer	<u>4,520</u>	<u>2,100</u>	<u>2,100</u>	<u>0</u>
Fund Balance, July 1, 2011	<u>3,378</u>	<u>3,378</u>	<u>3,378</u>	<u>-</u>
Fund Balance, June 30, 2012	<u><u>\$3,378</u></u>	<u><u>\$2,973</u></u>	<u><u>\$286</u></u>	<u><u>\$2,687</u></u>

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

**TOWN OF HUNTSVILLE, TENNESSEE**

**Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual**

**Fire Department Fund**

**For the Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Donations	25,800	21,396	21,945	549
Total Revenues	25,800	21,396	21,945	549
Expenditures:				
Vehicle expenses	8,900	4,795	4,793	2
Utilities	6,900	5,395	5,398	(3)
Repair and maintenance	1,500	505	1,322	(817)
Insurance	8,100	1,570	1,570	0
Volunteer firemen	6,600	6,780	6,780	0
Public relations	11,000	14,735	14,736	(1)
Supplies	6,150	14,200	13,841	359
Total Current Expenditures	49,150	47,980	48,440	(460)
Capital outlay	0	0	0	0
Total Expenditures	49,150	47,980	48,440	(460)
Excess (deficiency) of revenues over expenditures	(23,350)	(26,584)	(26,495)	89
Operational transfers:	23,350	20,500	20,500	0
Net change in fund balance	0	(6,084)	(5,995)	89
Fund Balance, July 1, 2011	6,585	6,585	6,585	-
Fund Balance, June 30, 2012	6,585	501	590	89

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

NOTES TO THE FINANCIAL  
STATEMENTS

# TOWN OF HUNTSVILLE, TENNESSEE

## Notes to Financial Statements

June 30, 2012

### (1) Summary of Significant Accounting Policies

The Town of Huntsville, Tennessee, was incorporated under the Private Act of the Tennessee General Assembly. The Town provides the following services, as authorized by its charter and duly passed ordinances: public safety (fire), sewer, streets, recreations, public improvements, and general administrative services. The accounting policies of the Town of Huntsville, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

#### Reporting Entity:

Governmental Accounting Standards Board (GASB) Statement Number 14, "The Financial Reporting Entity" requires that financial statements present the reporting entity which consists of the primary government and any "Component Unit" organizations for which the primary government is financially accountable and any other "Component Unit" organizations for which the nature and significance of their relationship with the primary government are such that exclusion, could cause the Town's financial statements to be misleading. There were no component units requiring blended or discrete presentation under the requirements of GASB Statement Number 14.

#### Accounting Pronouncements:

Effective July 1, 2003, the Town adopted GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and 34, Statement No. 38, Certain Financial Statement Note Disclosures and Interpretation No. 6, Recognition and measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements. The requirements of these statements represent a significant change in the financial reporting model used by the Town. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and the economic measurement focus for all funds. The fund financial statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in one column. Other significant changes include the reporting of capital assets, infrastructure and depreciation, the elimination of account groups, and the inclusion of management's discussion and analysis. The government-wide financial statements present the Town's programs between business-type and governmental activities.

#### Government -Wide and Fund Financial Statements

The Government-wide financial statements, the statement of net assets and the statement of changes in net assets, report information on all of the nonfiduciary activities of the primary government. For the most part the effect of the interfund activity has been removed from these statements. Government 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 (i) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

# TOWN OF HUNTSVILLE, TENNESSEE

## Notes to Financial Statements

June 30, 2012

### (1) Summary of Significant Accounting Policies, Continued

Separate financial statements are provided for governmental funds and proprietary funds even though the latter are excluded from the government-wide financial statements. 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 revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes and most governmental revenues as available if received within 60 days of year end. 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, 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 by the government.

The government reports the following major funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

State Street Fund - To account for the receipt and usage of the Town's share of gasoline taxes.

Fire Department Fund - To account for the activity of the Town's fire department.

During the year there was no activity in the Sanitation Fund and this fund has been closed. All activity is now reported in the General Fund.

The government reports the following major proprietary funds:

The Utility Fund is used to account for sewer operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Town has adopted GASB Statement No.20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting. The Town applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions; issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Town has elected not to apply FASB Statements and interpretations issued after November 30, 1989.

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

# TOWN OF HUNTSVILLE, TENNESSEE

## Notes to Financial Statements

June 30, 2012

### (1) Summary of Significant Accounting Policies, Continued

Amounts reported as program revenues include (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 revenues of the various utility funds are charges to customers for sales and services. The Utility Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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 Town's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted funds are used the Town uses committed, assigned then unassigned funds.

#### Cash and Cash Equivalents

Cash and cash equivalents consist primarily of savings accounts, certificates of deposit with original maturities three months or less.

#### 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 either due from/ due to other funds (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources. All trade receivables are shown net of an allowance for uncollectible, if applicable.

#### Property Tax

The Town's property tax is levied each November 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the Town's legal boundaries. All Town taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

Assessed values are established by the State of Tennessee at the following rates of appraised market value:

Public Utility Property	55%
Industrial and Commercial Property	
- Real	40%
- Personal	30%
Farm and Residential Property	25%

Taxes were levied at a rate of \$0.50 per \$100 of assessed valuation for the fiscal year ended June 30, 2012.

Payments may be made during the period from November 1 through March 31. Current tax collections of \$116,834 for the fiscal year ended June 30, 2012 were approximately 85 percent of the tax levy.

Delinquent taxes are turned over for collection as required by the Town's Municipal Code.

# TOWN OF HUNTSVILLE, TENNESSEE

## Notes to Financial Statements

### (1) Summary of Significant Accounting Policies, Continued

#### Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings, including streets and sidewalks, and drainage systems 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 individual cost of \$5,000 and an estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation is provided over the estimated useful lives using the straight line method.

The estimated useful lives are as follows:

Infrastructure	40-50 years
Buildings	10-50 years
Utility Plant in Service	10-50 years
Furniture and Equipment	5-10 years

#### Inventory

Inventory of the Utility Fund is valued at cost, using the first in first out method. Inventory of all the governmental funds consists of expendable supplies held for consumption and are recorded at cost under the consumption method.

#### Restricted Assets

Certain proceeds of the Enterprise Fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on their respective balance sheets because they are maintained in separate bank accounts and their use is either limited by applicable bond covenants or represent proceeds from bond issues that are restricted for use in construction.

#### Long-term Obligations

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

#### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

#### Compensated Absences

The Town has accrued a liability for unused sick and vacation pay which is earned but not taken by Town employees.

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments that potentially subject the Town to significant concentrations of credit risk consist principally of cash and accounts receivable. The Town places its cash with federally-insured financial institutions, institutions participating in the State collateral pool. With respect to accounts receivable, credit risk is dispersed across a large number of customers concentrated within one area of service.

# TOWN OF HUNTSVILLE, TENNESSEE

## Notes to Financial Statements

June 30, 2012

### (1) Summary of Significant Accounting Policies, Continued

#### Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgets are adopted and approved by Council vote on an annual basis for the General and Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The Town Council approves, by ordinance, total budget appropriations by department only. The Mayor is authorized to transfer budget amounts between line items within each department; however, any revisions that alter the total appropriations of any fund must be approved by the Town Council.
- c. The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

During the year the following departmental budgets were exceeded:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Street	\$213,585	219,565	5,980
Recreation	\$120,120	122,399	2,279
Park	\$ 21,645	28,503	6,858
State Street Aid	\$ 39,200	41,888	2,688

#### Fund Balance

The Town implemented GASB 54 which addresses issues related to how fund balances are reported. Fund balances are now reported in the following manner:

Nonspendable fund balances – amounts that are not in a spendable form, Restricted fund balance – amounts constrained to specific purposes by their providers, provisions, or by enabling legislation, Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint, Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority, Unassigned fund balance – amounts that are available for any purpose; these amounts are reported only in the general fund.

Only by Board approval (via ordinance) can fund balance amounts be classified as committed or assigned. Board approval (via ordinance) is required to establish, modify or rescind a fund balance requirement.

### (2) Cash and Cash Equivalents

The Town is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts and certificates of deposit. During the year, the Town invested funds that were not immediately needed in certificates of deposits and savings accounts. The Town has deposit policies to minimize custodial credit risks. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions.

The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the Town and must total a minimum 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The Town's deposits with financial institutions are fully insured or collateralized by securities held in the government's name.

**TOWN OF HUNTSVILLE, TENNESSEE**

Notes to Financial Statements, Continued

**(3) Accounts Receivable**

Accounts receivable at June 30, 2012, consists of the following:

<u>Fund</u>	<u>Other Governments</u>	<u>Property Taxes</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	92,948	179,001	-	271,949
Special revenue Funds	5,791	-	-	5,791
Enterprise Fund	-	-	14,323	14,323
Less allowance for doubtful accounts	-	-	(2,310)	(2,310)
Total	<u>98,739</u>	<u>179,001</u>	<u>12,013</u>	<u>289,753</u>

**(4) Capital Assets**

A summary of changes in capital assets as presented in the governmental activities column of the government- wide financial statements is as follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Assets not being depreciated				
Land and land rights	\$ 100,000	-	-	100,000
Assets being depreciated				
Buildings and improvements	1,356,711	79,045	-	1,435,756
Infrastructure	602,577	16,000	-	618,577
Equipment and vehicles	878,689	21,500	-	900,189
Total	2,937,977	116,545	-	3,054,522
Less Accumulated depreciation	(798,963)			(864,400)
Net capital assets in service	<u>\$ 2,139,014</u>			<u>2,190,122</u>

All assets are being depreciated except for \$ 100,000 in land and land rights

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

General Fund:		
General government administration		\$ 1,880
Sanitation		4,725
Swimming pool		2,000
Parks department		3,474
Fire department		40,940
Highways and Streets		12,418
Total		<u>65,437</u>

**TOWN OF HUNTSVILLE, TENNESSEE**

Notes to Financial Statements, Continued

**(4) Capital Assets, Continued**

A summary of changes in Enterprise Fund property, plant and equipment and related accumulated depreciation follows:

	Balance June 30, 2011	<u>Additions</u>	<u>Retirements</u>	Balance June 30, 2012
Utility plant	\$ 5,677,729	-	-	5,677,729
Equipment	82,819	-	-	82,819
	<u>5,760,548</u>	<u>-</u>	<u>-</u>	<u>5,760,548</u>
Less accumulated depreciation	(1,733,401)			(1,866,791)
Net plant in service	\$ <u>4,027,147</u>			<u>3,893,757</u>

All assets are being depreciated. Depreciation expense was \$133,389 for the year ended June 30, 2012.

**(5) Bonds and Notes Payable**

The following schedule reflects the changes in long-term debt, as shown in the Enterprise Fund during fiscal year 2012.

	Balance July 1, 2011	<u>Addi- tions</u>	<u>Retire- ments</u>	Balance June 30, 2012
Bonds and Notes Payable:				
Bond	\$ 192,956	-	3,177	189,779
Capital Outlay	8,574	-	5,404	3,170
Capital Outlay	78,513	-	8,694	69,819
State loan	<u>79,747</u>	<u>-</u>	<u>6,151</u>	<u>73,596</u>
Total	\$ <u>359,790</u>	<u>-</u>	<u>23,426</u>	<u>336,364</u>

The repayment of principal and interest on these bonds is secured by the revenue of the Sewer fund, and in the event such revenue is insufficient therefore, the bonds shall be payable from ad valorem taxes to be levied on all taxable property within the corporate limit of the municipality without limitations as to time rate or amount. The Town ordinances provide that the revenue of the sewer system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue and tax bonds. Any remaining revenue from the sewer system may then be used for any lawful purpose.

The Capital Outlay notes are secured by the asset purchased and the full faith and credit of the Town.

**TOWN OF HUNTSVILLE, TENNESSEE**

Notes to Financial Statements, Continued

**(5) Bonds and Notes Payable, Continued**

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2012 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2013	21,215	20,373
2014	18,825	16,416
2015	19,639	15,602
2016	20,488	14,753
2017	21,374	13,867
2018-2022	85,681	62,202
2023-2027	28,096	30,884
2028-2032	35,012	23,968
2033-2037	43,632	15,348
2038-2041	42,402	4,643
Total	<u>336,364</u>	<u>218,056</u>

**(6) General Long-Term Debt**

The following schedule reflects the changes in General long-term debt during fiscal year 2012.

	<u>July 1, 2011</u>	<u>Addi- tions</u>	<u>Retire- ments</u>	<u>June 30, 2012</u>
Capital outlay- fire equipment	44,412	-	9,484	34,928
Capital outlay – truck	14,366	-	3,481	10,885
Capital outlay	8,776	-	8,776	-
Capital outlay	<u>17,090</u>	<u>-</u>	<u>5,035</u>	<u>12,055</u>
Total	<u>84,644</u>	<u>-</u>	<u>26,776</u>	<u>57,868</u>

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2012 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2013	18,288	3,924
2014	19,191	3,021
2015	16,552	2,208
2016	3,837	980
Total	<u>57,868</u>	<u>10,133</u>

**(7) Contributed Capital - Enterprise Fund**

In accordance with GASB No. 33 the Town no longer records contributed capital from customer tap fees and grants from other governments. The Town has recorded these amounts in the net asset section of the statement of net assets.

## TOWN OF HUNTSVILLE, TENNESSEE

### Notes to Financial Statements, Continued

#### (8) Risk Management

The Town of Huntsville is exposed to various risks to general liability and property and casualty losses. The Town has decided to purchase commercial insurance for general liability and property and casualty coverage. Any risks not covered as shown in the schedule of insurance are uninsured and that risk of loss is retained by the Town. The Town has not had claims in excess of insurance coverage during the last three years.

#### (9) Commitments and Contingencies

##### Litigation:

There are no pending lawsuits in which the Town is involved which are material to the financial statements.

##### Grants:

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the applicable fund.

#### (10) Operating Transfers

During the year the General fund transferred \$20,500 to the Fire Department fund to assist in providing funding for the fire department, and \$2,100 to the State Street Aid fund to aid in street lighting.

## SUPPLEMENTAL INFORMATION

Financial schedules are used to demonstrate finance related legal and contractual compliance, provide details of data summarized in the financial statements and present other information deemed useful.

TOWN OF HUNTSVILLE, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Changes in Capital Assets - By Type

June 30, 2012

Capital Assets:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$100,000	0	0	100,000
Building	515,651	79,045	0	594,696
Improvements other than buildings	841,060	0	0	841,060
Infrastructure	602,577	16,000	0	618,577
Equipment	<u>878,689</u>	<u>21,500</u>	<u>0</u>	<u>900,189</u>
Total capital assets	<u>\$2,937,977</u>	<u>116,545</u>	<u>0</u>	<u>3,054,522</u>

TOWN OF HUNTSVILLE, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Capital Assets - By Function and Activity

June 30, 2012

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Improvements</u>	<u>Infrastructure</u>	<u>Total</u>
General government	\$100,000	370,678	8,470	0	0	479,148
Fire department	0	224,018	679,668	0	0	903,686
Street department	0	0	141,173	0	618,577	759,750
Sanitation	0	0	70,878	0	0	70,878
Parks and recreation	0	0	0	841,060	0	841,060
Total capital assets	<u>\$100,000</u>	<u>594,696</u>	<u>900,189</u>	<u>841,060</u>	<u>618,577</u>	<u>3,054,522</u>

TOWN OF HUNTSVILLE, TENNESSEE

Schedule of Cash and Cash Equivalents and Certificate of Deposits  
All Funds

June 30, 2012

	<u>Carrying Value</u>
General Fund:	
Demand deposits	99,854
Total General Fund	<u>99,854</u>
State Street Aid Fund:	
Demand deposits	162
Total State Street Aid Fund	<u>162</u>
Fire Department Fund:	
Demand deposits	590
Total Fire Department Fund	<u>590</u>
Sewer Fund:	
Demand deposits	40,072
Certificate of deposit	35,000
Total Sewer Fund	<u>75,072</u>
Total - All funds	<u><u>\$175,678</u></u>

**TOWN OF HUNTSVILLE, TENNESSEE**

**Schedule of Changes in Property Taxes Receivable**

**For the Year Ended June 30, 2012**

<u>Tax Year</u>	<u>Balance July 1, 2011</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2012</u>
2012	\$ -	125,000	0	125,000
2011	125,000	13,661	116,834	21,827
2010	20,581	-	7,779	12,802
2009	11,858	-	2,877	8,981
2008	10,094	-	2,652	7,442
2007	1,983	-	986	997
2006	1,926	-	931	995
2005	1,061	-	104	957
2004	205	-	205	0
2003	85	-	85	0
2002	64	-	64	0
2001	41	-	41	0
	<u>\$172,898</u>	<u>138,661</u>	<u>132,558</u>	<u>179,001</u>

172,898

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Tax Adjustment and Collections</u>	<u>Outstanding Delinquent Taxes</u>
2012	\$ 0.50	125,000	0	\$ 125,000
2011	0.50	138,661	116,834	21,827
2010	0.50	125,000	112,198	12,802
2009	0.49	128,711	119,730	8,981
2008	0.4847	128,952	121,510	7,442
2007	0.65	130,088	129,091	997
2006	0.65	133,250	132,255	995
2005	0.65	125,727	124,770	957
2004	0.19	35,679	35,679	0
2003	0.19	32,149	32,149	0

All of the delinquent taxes except for the 2011 tax year have been submitted to the clerk and master for collection.

TOWN OF HUNTSVILLE, TENNESSEE

Schedule of Debt Service Requirements - General Obligation Long-Term Debt

June 30, 2012

Year	Fire equipment		Truck		Ford F-550 Capital Outlay		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 9,911	2,893	3,655	545	4,722	486	18,288	3,924
2014	10,357	2,447	3,837	363	4,997	211	19,191	3,021
2015	10,823	1,981	3,393	122	2,336	105	16,552	2,208
2016	3,837	980	-	-	-	-	3,837	980
	\$ 34,928	8,301	10,885	1,030	12,055	802	57,868	10,133

TOWN OF HUNTSVILLE, TENNESSEE

Schedule of Debt Service Requirements - Enterprise Fund

June 30, 2012

Year	WATER AND SEWER REVENUE BOND		CAPITAL OUTLAY NOTE		RURAL DEVELOPMENT		CAPITAL OUTLAY NOTE		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013 \$	6,397	5,068	3,170	3,177	3,307	8,489	8,341	3,639	21,215	20,373
2014	6,653	4,812	-	-	3,456	8,340	8,716	3,264	18,825	16,416
2015	6,919	4,546	-	-	3,611	8,185	9,109	2,871	19,639	15,602
2016	7,196	4,269	-	-	3,774	8,022	9,518	2,462	20,488	14,753
2017	7,484	3,981	-	-	3,944	7,852	9,947	2,033	21,374	13,867
2018	7,783	3,682	-	-	4,121	7,675	10,394	1,586	22,298	12,943
2019	8,094	3,371	-	-	4,307	7,489	10,862	1,118	23,263	11,978
2020	8,418	3,047	-	-	4,500	7,296	2,931	9,049	15,849	19,392
2021	8,755	2,710	-	-	4,703	7,093	-	-	13,458	9,803
2022	5,898	1,205	-	-	4,915	6,881	-	-	10,812	8,086
2023	-	-	-	-	5,136	6,660	-	-	5,136	6,660
2024	-	-	-	-	5,367	6,429	-	-	5,367	6,429
2025	-	-	-	-	5,608	6,188	-	-	5,608	6,188
2026	-	-	-	-	5,861	5,935	-	-	5,861	5,935
2027	-	-	-	-	6,124	5,672	-	-	6,124	5,672
2028	-	-	-	-	6,400	5,396	-	-	6,400	5,396
2029	-	-	-	-	6,688	5,108	-	-	6,688	5,108
2030	-	-	-	-	6,989	4,807	-	-	6,989	4,807
2031	-	-	-	-	7,303	4,493	-	-	7,303	4,493
2032	-	-	-	-	7,632	4,164	-	-	7,632	4,164
2033	-	-	-	-	7,976	3,820	-	-	7,976	3,820
2034	-	-	-	-	8,334	3,462	-	-	8,334	3,462
2035	-	-	-	-	8,709	3,087	-	-	8,709	3,087
2036	-	-	-	-	9,101	2,695	-	-	9,101	2,695
2037	-	-	-	-	9,511	2,285	-	-	9,511	2,285
2038	-	-	-	-	9,939	1,857	-	-	9,939	1,857
2039	-	-	-	-	10,386	1,410	-	-	10,386	1,410
2040	-	-	-	-	10,854	942	-	-	10,854	942
2041	-	-	-	-	11,223	434	-	-	11,223	434
\$	73,596	36,692	3,170	3,177	189,779	152,166	69,819	26,021	336,364	218,056

**TOWN OF HUNTSVILLE, TENNESSEE**

**Schedule of Utility Rates and Information**

**Sewer Fund**

**June 30, 2012**

Sewer rates:

Minimum 2,000 gallons	16.58
All over 2,000 gallons	\$8.30 per thousand gallons

At yearend the Town had approximately 300 sewer customers.

**TOWN OF HUNTSVILLE, TENNESSEE**

**Schedule of Bonds - Principal Officials**

**June 30, 2012**

<u>Official</u>	<u>Title</u>	<u>Bond</u>
George Potter	Mayor	\$100,000
Mark Love	Vice-Mayor	-
Paul Lay	Aldermen	-
Charles Sexton	Aldermen	-
Kris Lewallen	Aldermen	-
Wendy Buttram	Recorder	\$100,000

TOWN OF HUNTSVILLE, TENNESSEE

Schedule of Insurance Coverage

June 30, 2012

<u>Type of Coverage</u>	<u>Detail Coverage</u>	
<u>Business Property</u>	Buildings	Various
	Contents	
	Police equipment	
<u>General liability</u>	Law enforcement	1,000,000
<u>Automobiles:</u>		
Bodily injury		1,000,000
Property damage		1,000,000
<u>Workers' compensation</u>		1,000,000
<u>Public Official Liability</u>		1,000,000
<u>Public Official Bond</u>		
	Mayor	100,000
	City Recorder	100,000

TOWN OF HUNTSVILLE, TENNESSEE

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2012

CFDA Number	State Grant Number	Program Name	Grantor Agency	Receivable (Deferred) Balance June 30, 2011	Grant Receipts	Other Receipts	Grant Expenditures	Receivable (Deferred) Balance June 30, 2012
N/A	N/A	EECBG - Energy Efficient and Conservation Block Grant	Tennessee Department of Economic and Community Dev.	\$0	42,256	\$0	96,331	54,075
Totals				\$0	\$42,256	\$0	\$96,331	\$54,075

State Programs:

**COMPLIANCE AND  
INTERNAL CONTROL**

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

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

Mayor and Aldermen  
Town of Huntsville, Tennessee  
Huntsville, Tennessee

I have audited the financial statements of the governmental activities, the business type activities and each major fund information of the Town of Huntsville as of and for the year ended June 30, 2012, and have issued a report thereon dated September 30, 2012. I conducted the 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 effective internal control over financial reporting. In planning and performing the audit, I considered the Town of Huntsville's internal control over financial reporting as a basis for designing the auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Huntsville's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, I identified a deficiency in internal control over financial reporting that I consider to be a material weakness (2005-01 Lack of segregation of Duties).

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described below (2005-01) to be a material weakness.

The material weakness is as follows:

2005-01 Separation of Duties

Due to the limited number of personnel employed by the Town, several functions, which ideally should be performed by different individuals, are regularly performed by one or two persons. I recommend that the Town strengthen its internal control in cash receipts, cash disbursements, and reconciliation of cash.

Management Response:

Due to the size of the office, a complete separation of duties is not possible. However we are continuing to monitor office responsibilities and segregate duties as needed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Huntsville'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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town of Huntsville's response to the finding identified in the audit is described above. I did not audit the Management Response and, accordingly, I express no opinion on it.

I noted certain matters that I reported to management of the Town of Huntsville in a separate letter dated September 30, 2012.

This report is intended solely for the information and use of the audit committee, management, and State Comptrollers Office and is not intended to be and should not be used by anyone other than these specified parties.

*John R. Poole, CPA*

September 30, 2012