

**TOWN OF ROSSVILLE, TENNESSEE  
AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

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TOWN OF ROSSVILLE, TENNESSEE  
LIST OF PRINCIPAL OFFICIALS  
June 30, 2011

<u>TITLE</u>	<u>NAME</u>
Mayor	James C. Gaither
Mayor Pro-Tem	Daniel Lenderman
Alderman	Ben Farley
Alderman	Jerry Fant
Alderman	Randall Cox
Alderman	Steve Murray
Alderman	Ken Spencer
Recorder	Becky Feathers



*The Dwight L. Young Group*

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Mayor and Board of Alderpersons  
Town of Rossville, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the statements of revenues, expenditures, and changes in fund balance-budget and actual of the Town of Rossville, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Rossville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the statements of revenues, expenditures, and changes in fund balance-budget and actual of the Town of Rossville, Tennessee, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison for the General Fund, Street Aid Fund, Drug Fund, and Solid Waste Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report, dated February 13, 2012, on our consideration of the Town of Rossville, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages eight through fifteen is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Rossville's basic financial statements. The accompanying schedule of changes in taxes receivable, schedule of utility rates in effect, schedule of unaccounted for water, and the schedule of federal and state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of changes in taxes receivable, schedule of utility rates in effect, schedule of unaccounted for water and the schedule of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*The Dwight L. Young Group*

February 13, 2012

TOWN OF ROSSVILLE, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF ROSSVILLE, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011

As management of the Town of Rossville, Tennessee ("Town"), we offer readers of the Town of Rossville, Tennessee's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. This management discussion and analysis ("MD&A") is designed to provide an objective and easy to read analysis of the financial activities based on currently known facts, decisions, or conditions. This narrative is intended to provide readers with a broad overview of the Town's finances and is also intended to provide readers with an analysis of the short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the financial activity, identify changes in the financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the Supplemental Information.

#### OVERVIEW OF FINANCIAL STATEMENTS

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

1. Government-wide financial statements,
2. Fund financial statements,
3. Notes to the financial statements, and
4. Required supplementary information, which is in addition to the basic financial statements themselves.

TOWN OF ROSSVILLE, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
- Continued -

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government-wide financial statements are designed by GASB Statement 34 to change the way in which governmental financial statements are presented. These statements provide readers a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the City's financial position and results of operations in a manner similar to a private-sector business.

A. The statement of net assets presents information on all of the Town's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets should serve as a useful indicator of whether the financial position of the Town is improving or weakening.

B. 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 taxes).

The government-wide financial statements further assist the reader in their evaluation by distinguishing functions of the Town into Governmental Activities that are principally supported by taxes and intergovernmental revenues.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets should serve over time as a useful indicator of a government's financial position. The Town reports assets of \$5,679,301, of which \$3,388,180 are capital assets. The assets exceed the Town's liabilities by \$4,560,890. Of this amount, \$1,769,950 is unrestricted net assets. The Town's net assets are comprised of \$3,057,620 from Governmental Activities and \$1,503,270 from Business-Type Activities.

TOWN OF ROSSVILLE, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
- Continued -

By far the largest portion of the Town's net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, vehicles, etc.). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town is able to report positive balances in both categories of net assets. The same situation held true for the prior fiscal year.

TOWN OF ROSSVILLE, TENNESSEE						
NET ASSETS						
	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 1,254,656	\$ 1,183,963	\$ 1,036,465	\$ 1,049,573	\$ 2,291,121	\$ 2,233,536
Capital Assets (Net)	<u>2,314,594</u>	<u>2,094,520</u>	<u>1,073,586</u>	<u>1,141,378</u>	<u>3,388,180</u>	<u>3,235,898</u>
Total Assets	<u>3,569,250</u>	<u>3,278,483</u>	<u>2,110,051</u>	<u>2,190,951</u>	<u>5,679,301</u>	<u>5,469,434</u>
Current and Other Liabilities	<u>511,630</u>	<u>490,942</u>	<u>606,781</u>	<u>624,848</u>	<u>1,118,411</u>	<u>1,115,790</u>
Total Liabilities	<u>511,630</u>	<u>490,942</u>	<u>606,781</u>	<u>624,848</u>	<u>1,118,411</u>	<u>1,115,790</u>
Net Assets:						
Invested in Capital Assets, Net of Retained Debt	2,314,594	2,094,520	468,391	528,386	2,782,985	2,622,906
Restricted	7,955	5,766	-0-	-0-	7,955	5,766
Unrestricted	<u>735,071</u>	<u>687,255</u>	<u>1,034,879</u>	<u>1,037,717</u>	<u>1,769,950</u>	<u>1,724,972</u>
Total Net Assets	<u>\$ 3,057,620</u>	<u>\$ 2,787,541</u>	<u>\$ 1,503,270</u>	<u>\$ 1,566,103</u>	<u>\$ 4,560,890</u>	<u>\$ 4,353,644</u>

The Town reported positive balances in Net Assets for both governmental and business-type activities. Net Assets increased \$270,079 (9.68%) for governmental activities and decreased \$62,833 (4.01%) for business-type activities. The Town's overall financial position improved during fiscal year 2011, because depreciation caused the decrease in total net assets in business-type activities and the Town received real property as a gift in the amount of \$274,216.

TOWN OF ROSSVILLE, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
- Continued -

GOVERNMENTAL ACTIVITIES

The Governmental Activities of the Town include General Government, Public Works, Public Safety, and Sanitation. Taxes collected by the State of Tennessee and by the County as well as revenue earned fund most of these governmental activities.

Here we show the Town of Rossville, Tennessee's changes in net assets. In the schedule below, General Government includes the following departments: Legislative (City Council,) Executive, Financial, Building, and other General Administration. Public Works is made up of the Street department.

TOWN OF ROSSVILLE, TENNESSEE  
CHANGES IN NET ASSETS

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program Revenues:						
Charges for						
Services	\$ 198,586	\$ 205,488	\$ 151,862	\$ 154,155	\$ 350,448	\$ 359,643
Operating Grants and						
Contributions	10,742	10,598	-0-	-0-	10,742	10,598
Capital Grants and						
Contributions	334,840	1,617	-0-	-0-	334,840	1,617
General Revenues:						
Property Taxes	421,714	366,771	-0-	-0-	421,714	366,771
Intergovernmental	120,812	135,825	-0-	-0-	120,812	135,825
Other	832	5,605	-0-	-0-	832	5,605
Unrestricted Investment						
Earnings	<u>6,405</u>	<u>7,919</u>	<u>9,280</u>	<u>22,379</u>	<u>15,685</u>	<u>30,298</u>
Total Revenue	<u>1,093,931</u>	<u>733,823</u>	<u>161,142</u>	<u>176,534</u>	<u>1,255,073</u>	<u>910,357</u>
Expenses:						
General Government	151,986	164,769	-0-	-0-	151,986	164,769
Public Safety	428,562	388,164	-0-	-0-	428,562	388,164
Public Works	233,507	192,241	-0-	-0-	233,507	192,241
Parks and Recreation	9,797	-0-	-0-	-0-	9,797	-0-
Water and Sewer	<u>-0-</u>	<u>-0-</u>	<u>223,975</u>	<u>203,274</u>	<u>223,975</u>	<u>203,274</u>
Total Expenses	<u>823,852</u>	<u>745,174</u>	<u>223,975</u>	<u>203,274</u>	<u>1,047,827</u>	<u>948,448</u>
Change in Net Assets	270,079	(11,351)	(62,833)	(26,740)	207,246	(38,091)
Net Assets - Beginning	<u>2,787,541</u>	<u>2,798,892</u>	<u>1,566,103</u>	<u>1,592,843</u>	<u>4,353,644</u>	<u>4,391,735</u>
Net Assets - Ending	\$ <u>3,057,620</u>	\$ <u>2,787,541</u>	\$ <u>1,503,270</u>	\$ <u>1,566,103</u>	\$ <u>4,560,890</u>	\$ <u>4,353,644</u>

TOWN OF ROSSVILLE, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
- Continued -

The following selected data from the schedules is given to assist in the analysis of the Town's activities for fiscal years 2011-2010.

	Percent Total Revenue <u>2011</u>	Percent Total Revenue <u>2010</u>
Charges for Services	18 %	28 %
Operating Grants & Contributions	1	1
Capital Grants & Contributions	31	0
Property Taxes	38	50
Intergovernmental Revenues	11	19
Other Revenue	0	1
Unrestricted Investment Earnings	<u>1</u>	<u>1</u>
	<u>100 %</u>	<u>100 %</u>
 Total	 \$ <u>1,093,931</u>	 \$ <u>733,883</u>

The above summary shows that the Town is heavily reliant on property taxes to support governmental operations. Property taxes increased \$54,943 in fiscal year 2011.

	Percent Total Expenses <u>2011</u>	Percent Total Expenses <u>2010</u>
General Government	19 %	22 %
Public Safety	52	52
Public Works	28	26
Parks and Recreation	<u>1</u>	<u>0</u>
	<u>100 %</u>	<u>100 %</u>
 Total	 \$ <u>823,852</u>	 \$ <u>745,174</u>

The total governmental activities costs for fiscal year 2011 were \$823,852. Of this total, public safety absorbed \$318,228 or 51.78% in taxes to citizens and other general revenue.

BUSINESS-TYPE ACTIVITIES

The Business-Type Activities of the Town are those that the Town charges a fee to customers to help cover all or most of the cost of certain services. The Town's water and sewer department is reported here.

TOWN OF ROSSVILLE, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
- Continued -

BUSINESS-TYPE ACTIVITIES	<u>Operating Revenues</u>
Fiscal Year ended June 30, 2011	\$ 151,862
Fiscal Year ended June 30, 2010	154,155
Decrease between Fiscal Years	\$ <u><u>2,293</u></u>
	<u>Operating Expenses</u>
Fiscal Year ended June 30, 2011	\$ 198,378
Fiscal Year ended June 30, 2010	177,053
Increase between Fiscal Years	\$ <u><u>21,325</u></u>

The Water and Sewer department did not increase rates for the 2011 fiscal year. The decrease in revenue is attributed to a decrease in the number of tap fees for new subdivisions that are currently being built.

2. FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, used 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. These funds are considered major funds required by the Governmental Accounting Standards Board Statement Number 34 because management believes that this presentation better informs the readers of this report.

A. Governmental Funds - Governmental funds are used to account for most of the Town's basic services, reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services the Town provides. Governmental fund information helps a person determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

TOWN OF ROSSVILLE, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
- Continued -

Because the focus of governmental funds is narrower than that of the government-wide financial statements, the reader may want to compare the information presented for government 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 the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are found later in this report.

B. Proprietary Funds - Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses a proprietary fund to account for its Water and Sewer department. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer department, which is considered to be a major fund of the Town. The basic proprietary fund financial statements can be found later in this report.

C. Governmental Funds Budgetary Highlights - The adopted governmental funds revenue budgets for fiscal year 2011 were \$802,875. The budgets were not amended during the fiscal year. Actual revenue for 2011 fiscal year was \$819,715. The increase was due to the increase in property taxes. A detailed comparison of revenue may be found in the comparison of original budget, amended budget and actual figures included in the financial statements.

During 2010-2011, the Solid Waste Collection Fund had expenditures greater than revenues; however, the ending fund balances were positive. The Solid Waste Fund exceeded its budgeted expenditures by \$6,200.

### 3. NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF ROSSVILLE, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
- Continued -

4. SUPPLEMENTAL INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. The supplementary information includes information on taxes assessed, collected and receivable, utility rate information, unaccounted for water and the federal awards of the Town.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Rossville, 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 the City Recorder's office, P.O. Box 27, Rossville, Tennessee 38066.

TOWN OF ROSSVILLE, TENNESSEE

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

PRIMARY GOVERNMENT

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
Cash and Cash Equivalents	\$ 100,838	\$ 26,804	\$ 127,642
Investments	601,294	907,256	1,508,550
Receivables:			
Taxes	484,036	-0-	484,036
Accounts	10,613	99,332	109,945
Interest	1,361	3,073	4,434
Intergovernmental	18,761	-0-	18,761
Prepaid	37,753	-0-	37,753
Capital Assets (Net of Accum. Depr.)			
Land	312,216	-0-	312,216
Buildings	68,412	706	69,118
Machinery and Equipment	409,941	5,608	415,549
Infrastructure	1,524,025	-0-	1,524,025
Utility Plant in Service	-0-	1,067,272	1,067,272
	<u>3,569,250</u>	<u>2,110,051</u>	<u>5,679,301</u>
<b>TOTAL ASSETS</b>			
	<u>3,569,250</u>	<u>2,110,051</u>	<u>5,679,301</u>
 <u>LIABILITIES</u>			
Accounts Payable	4,712	5,188	9,900
Due to Other Funds	10,269	(10,269)	-0-
Notes Payable	-0-	605,195	605,195
Deferred Revenue	496,649	-0-	496,649
Customer Deposits	-0-	6,667	6,667
	<u>511,630</u>	<u>606,781</u>	<u>1,118,411</u>
<b>TOTAL LIABILITIES</b>			
	<u>511,630</u>	<u>606,781</u>	<u>1,118,411</u>
 <u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	2,314,594	468,391	2,782,985
Restricted for:			
Highways and Streets	326	-0-	326
Police Department	7,629	-0-	7,629
Unrestricted	735,071	1,034,879	1,769,950
	<u>3,057,620</u>	<u>1,503,270</u>	<u>4,560,890</u>
<b>TOTAL NET ASSETS</b>			
	<u>\$ 3,057,620</u>	<u>\$ 1,503,270</u>	<u>\$ 4,560,890</u>

SEE THE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF ROSSVILLE, TENNESSEE  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

	PROGRAM REVENUE				CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>FUNCTIONS/PROGRAMS</b>								
<b>PRIMARY GOVERNMENT:</b>								
Governmental Activities:								
General Government	\$ 151,986	\$ 46,434	\$ -0-	\$ 274,216	\$ 168,664	\$ -0-	\$ 168,664	
Public Safety	428,562	110,334	-0-	40,525	(277,703)	-0-	(277,703)	
Public Works	233,507	41,643	10,742	20,099	(161,023)	-0-	(161,023)	
Parks and Recreation	9,797	175	-0-	-0-	(9,622)	-0-	(9,622)	
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>823,852</u>	<u>198,586</u>	<u>10,742</u>	<u>334,840</u>	<u>(279,684)</u>	<u>-0-</u>	<u>(279,684)</u>	
Business-Type Activities:								
Water and Sewer	223,975	151,862	-0-	-0-	-0-	(72,113)	(72,113)	
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>223,975</u>	<u>151,862</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(72,113)</u>	<u>(72,113)</u>	
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 1,047,827</u>	<u>\$ 350,448</u>	<u>\$ 10,742</u>	<u>\$ 334,840</u>	<u>(279,684)</u>	<u>(72,113)</u>	<u>(351,797)</u>	
<b>GENERAL REVENUES</b>								
Property Taxes					421,714	-0-	421,714	
City Beer Taxes					1,666	-0-	1,666	
Intergovernmental					119,146	-0-	119,146	
Other					832	-0-	832	
Unrestricted Investment Earnings					6,405	9,280	15,685	
<b>TOTAL GENERAL REVENUES</b>					<u>549,763</u>	<u>9,280</u>	<u>559,043</u>	
<b>CHANGE IN NET ASSETS</b>					270,079	(62,833)	207,246	
<b>NET ASSETS-BEGINNING</b>					<u>2,787,541</u>	<u>1,566,103</u>	<u>4,353,644</u>	
<b>NET ASSETS-ENDING</b>					<u>\$ 3,057,620</u>	<u>\$ 1,503,270</u>	<u>\$ 4,560,890</u>	

SEE THE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF ROSSVILLE, TENNESSEE

FUND FINANCIAL STATEMENTS

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

	MAJOR FUNDS				
	GENERAL	STATE STREET AID	DRUG	SOLID WASTE COLLECTION	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 83,984	\$ 1,390	\$ 7,629	\$ 7,835	\$ 100,838
Investments	601,294	-0-	-0-	-0-	601,294
Receivables:					
Taxes	484,036	-0-	-0-	-0-	484,036
Accounts Receivable	10,613	-0-	-0-	-0-	10,613
Interest	1,361	-0-	-0-	-0-	1,361
Due from Other Governments	17,825	936	-0-	-0-	18,761
Deferred Charge	32,106	-0-	-0-	-0-	32,106
Prepaid Insurance	5,647	-0-	-0-	-0-	5,647
TOTAL ASSETS	\$ <u>1,236,866</u>	\$ <u>2,326</u>	\$ <u>7,629</u>	\$ <u>7,835</u>	\$ <u>1,254,656</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 4,712	\$ -0-	\$ -0-	\$ -0-	\$ 4,712
Due to Other Funds	10,269	-0-	-0-	-0-	10,269
Deferred Revenue	494,649	2,000	-0-	-0-	496,649
TOTAL LIABILITIES	509,630	2,000	-0-	-0-	511,630
<u>FUND BALANCES</u>					
Unreserved	727,236	-0-	-0-	7,835	735,071
Reserved:					
Street Aid	-0-	326	-0-	-0-	326
Drug Programs	-0-	-0-	7,629	-0-	7,629
TOTAL FUND BALANCES	727,236	326	7,629	7,835	743,026
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,236,866</u>	\$ <u>2,326</u>	\$ <u>7,629</u>	\$ <u>7,835</u>	\$ <u>1,254,656</u>

SEE THE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF ROSSVILLE, TENNESSEE  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
June 30, 2011

Total Fund Balance-Governmental Funds		\$	743,026
Amounts reported for Net Assets in the Statement of Net Assets are different because:			
Capital Assets are used in Governmental Activities are not financial resources and therefore are not reported in the funds:			
Capital Assets net of accumulated depreciation as of 07-01-2010	\$	2,094,520	
Plus capital outlay expenditures made during year		353,158	
Less depreciation expense recorded during year		<u>133,084</u>	<u>2,314,594</u>
Total Net Assets-Governmental-Wide Statement		\$	<u><u>3,057,620</u></u>

SEE THE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

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

	<u>MAJOR FUNDS</u>					
	<u>GENERAL</u>	STATE <u>STREET</u> <u>AID</u>	<u>DRUG</u>	SOLID WASTE <u>COLLECTION</u>	TOTAL GOVERNMENTAL <u>FUNDS</u>	
<u>REVENUES</u>						
Taxes	\$ 423,380	\$ -0-	\$ -0-	\$ -0-	\$ 423,380	
Licenses and Permits	21,846	-0-	-0-	-0-	21,846	
Use of Money and Property	30,993	-0-	-0-	-0-	30,993	
Intergovernmental	119,146	-0-	-0-	-0-	119,146	
Fire Department	20,671	-0-	-0-	41,033	61,704	
Police Department	89,663	-0-	-0-	-0-	89,663	
Grants	60,624	10,742	-0-	-0-	71,366	
Miscellaneous	742	90	-0-	-0-	832	
Public Works	610	-0-	-0-	-0-	610	
Parks and Recreation	175	-0-	-0-	-0-	175	
	<u>767,850</u>	<u>10,832</u>	<u>-0-</u>	<u>41,033</u>	<u>819,715</u>	
<u>EXPENDITURES</u>						
General Government	146,328	-0-	-0-	-0-	146,328	
Public Safety	449,964	-0-	-0-	-0-	449,964	
Public Works	100,867	-0-	-0-	-0-	100,867	
Street Maintenance	-0-	20,554	-0-	-0-	20,554	
Waste Collection	-0-	-0-	-0-	42,200	42,200	
Parks and Recreation	9,797	-0-	-0-	-0-	9,797	
	<u>706,956</u>	<u>20,554</u>	<u>-0-</u>	<u>42,200</u>	<u>769,710</u>	
<u>EXCESS (DEFICIENCY) OF</u>						
REVENUES OVER EXPENDITURES	<u>60,894</u>	<u>(9,722)</u>	<u>-0-</u>	<u>(1,167)</u>	<u>50,005</u>	
<u>OTHER FINANCING SOURCES (USES)</u>						
Operating Transfers In	-0-	11,911	-0-	-0-	-0-	
Operating Transfers Out	<u>(11,911)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	
	<u>(11,911)</u>	<u>11,911</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	
<u>NET CHANGE IN FUND BALANCES</u>						
	48,983	2,189	-0-	(1,167)	50,005	
<u>FUND BALANCES</u>						
Beginning of Year	<u>678,253</u>	<u>(1,863)</u>	<u>7,629</u>	<u>9,002</u>	<u>693,021</u>	
End of Year	\$ <u><u>727,236</u></u>	\$ <u><u>326</u></u>	\$ <u><u>7,629</u></u>	\$ <u><u>7,835</u></u>	\$ <u><u>743,026</u></u>	

SEE THE ACCOMPANYING NOTES AND AUDITOR'S REPORT



TOWN OF ROSSVILLE, TENNESSEE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2011

	<u>WATER AND SEWER FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash in Bank	\$ 26,804
Certificates of Deposit	907,256
Accounts Receivable	99,332
Interest Receivable	3,073
Due from General Fund	10,269
TOTAL CURRENT ASSETS	<u>1,046,734</u>
 <u>NONCURRENT ASSETS</u>	
<u>CAPITAL ASSETS</u>	
Buildings	1,075
Vehicles	50,592
Equipment	36,989
Utility Plant in Service	2,669,369
Less Accumulated Depreciation	(1,684,439)
TOTAL CAPITAL ASSETS (Net of Accumulated Depreciation)	<u>1,073,586</u>
TOTAL ASSETS	<u>2,120,320</u>
 <u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Current Maturities of Long-Term Debt	7,813
Accrued Vacation	5,188
Customer Deposits	6,667
TOTAL CURRENT LIABILITIES	<u>19,668</u>
 <u>LONG-TERM DEBT</u>	
USDA	597,382
TOTAL LONG-TERM DEBT	<u>597,382</u>
TOTAL LIABILITIES	<u>617,050</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt Unrestricted	468,391 <u>1,034,879</u>
TOTAL NET ASSETS	\$ <u><u>1,503,270</u></u>

SEE THE ACCOMPANYING NOTES AND AUDITOR'S REPORT

TOWN OF ROSSVILLE, TENNESSEE  
STATEMENT OF NET ACTIVITIES  
PROPRIETARY FUND  
June 30, 2011

	<u>WATER AND SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Sales and Services:	
Sales and Services Fees-Regular	\$ 79,856
Sales and Services Fees-Industrial	63,867
Penalties	2,085
Connections	5,761
Other	293
TOTAL OPERATING REVENUES	<u>151,862</u>
 <u>OPERATING EXPENSES</u>	
Salaries	58,488
Payroll Taxes	4,474
Repairs and Maintenance	16,445
Insurance	14,468
Utilities	13,164
Operating Supplies	4,456
Professional	4,290
Sales Tax	3,405
Travel	2,123
Office Supplies	1,865
Testing	1,757
Retirement	1,373
Telephone	1,557
Truck	642
Other	2,078
Depreciation	67,793
TOTAL OPERATING EXPENSES	<u>198,378</u>
OPERATING INCOME (LOSS)	<u>(46,516)</u>
 <u>NONOPERATING REVENUES (EXPENSES)</u>	
Investment Earnings	9,280
Interest Expense	<u>(25,597)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(16,317)</u>
CHANGES IN NET ASSETS	(62,833)
TOTAL NET ASSETS BEGINNING	<u>1,566,103</u>
TOTAL NET ASSETS ENDING	\$ <u>1,503,270</u>

SEE THE ACCOMPANYING NOTES AND AUDITOR'S REPORT

TOWN OF ROSSVILLE, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Year Ended June 30, 2011

	<u>WATER AND SEWER FUND</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers and Users	\$ 151,228
Payments for Other Expenses	(17,823)
Payments for Salaries	(58,488)
Payments for Payroll Taxes	(4,474)
Payments to Suppliers	(4,456)
Payments for Utilities	(13,164)
Payments for Insurance	(14,468)
Payments for Repairs and Maintenance	<u>(16,445)</u>
Net Cash Provided by Operating Activities	<u>21,910</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Loan to General Fund	<u>(10,269)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(10,269)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Interest Paid	(25,597)
Loan Payment to USDA	<u>(7,798)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(33,395)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchase of Investments	(14,458)
Interest Received	<u>14,716</u>
Net Cash Used by Investing Activities	<u>258</u>
Net Decrease in Cash and Cash Equivalents	(21,496)
Cash and Cash Equivalents-Beginning	<u>48,300</u>
Cash and Cash Equivalents-Ending	<u>\$ 26,804</u>

TOWN OF ROSSVILLE, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
- Continued -

<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>WATER AND SEWER FUND</u>
Operating Loss	\$ <u>(46,516)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	67,792
(Increase) Decrease in Accounts Receivable	<u>634</u>
Total Adjustments	<u>68,426</u>
Net Cash Provided by Operating Activities	\$ <u><u>21,910</u></u>

SEE THE ACCOMPANYING NOTES AND AUDITOR'S REPORT

TOWN OF ROSSVILLE, TENNESSEE  
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Year Ended June 30, 2011

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	VARIANCE WITH FINAL BUDGET- FAVORABLE
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(UNFAVORABLE)</u>
ADMINISTRATION				
REVENUE				
TAXES:				
Property Taxes	\$ 344,825	\$ 344,825	\$ 388,896	\$ 44,071
Property Tax Penalties	2,000	2,000	737	(1,263)
Ad Valorem Taxes	17,700	17,700	20,892	3,192
Pilot Program	13,000	13,000	11,189	(1,811)
City Beer Taxes	<u>200</u>	<u>200</u>	<u>1,666</u>	<u>1,466</u>
TOTAL TAXES	<u>377,725</u>	<u>377,725</u>	<u>423,380</u>	<u>45,655</u>
LICENSES AND PERMITS:				
Building Permits	20,000	20,000	6,344	(13,656)
Mechanical and Plumbing	-0-	-0-	5,447	5,447
Business Taxes/Permits	4,000	4,000	3,500	(500)
Development Fees	-0-	-0-	6,115	6,115
Beer Applications	400	400	300	(100)
Yard Sale Permits	<u>200</u>	<u>200</u>	<u>140</u>	<u>(60)</u>
TOTAL LICENSES & PERMITS	<u>24,600</u>	<u>24,600</u>	<u>21,846</u>	<u>(2,754)</u>
USE OF MONEY AND PROPERTY:				
Cell Tower	15,600	15,600	15,048	(552)
Cable Franchise Fee	8,000	8,000	9,540	1,540
Bank Interest	<u>14,000</u>	<u>14,000</u>	<u>6,405</u>	<u>(7,595)</u>
TOTAL USE OF MONEY AND PROPERTY	<u>37,600</u>	<u>37,600</u>	<u>30,993</u>	<u>(6,607)</u>
INTERGOVERNMENTAL:				
County Sales Tax	52,000	52,000	40,945	(11,055)
Wholesale Beer Taxes	40,000	40,000	34,942	(5,058)
Income Taxes	-0-	-0-	9,592	9,592
City Taxes	20,000	20,000	97	(19,903)
Street Transportation Taxes	2,500	2,500	753	(1,747)
Telecommunications Sales Tax	50	50	31	(19)
Sales Tax	10,000	10,000	25,199	15,199
Excise Tax	5,000	5,000	3,311	(1,689)
TVA in Lieu	<u>3,000</u>	<u>3,000</u>	<u>4,276</u>	<u>1,276</u>
TOTAL INTERGOVERNMENTAL	<u>132,550</u>	<u>132,550</u>	<u>119,146</u>	<u>(13,404)</u>
OTHER REVENUE:				
Miscellaneous	-0-	-0-	742	742
Transfers In	<u>65,000</u>	<u>65,000</u>	<u>-0-</u>	<u>(65,000)</u>
TOTAL OTHER REVENUE	<u>65,000</u>	<u>65,000</u>	<u>742</u>	<u>(64,258)</u>
ADMINISTRATIVE REVENUE	<u>637,475</u>	<u>637,475</u>	<u>596,107</u>	<u>(41,368)</u>

TOWN OF ROSSVILLE, TENNESSEE  
 GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

-Continued-

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	VARIANCE WITH FINAL BUDGET-
	<u>ORIGINAL</u>	<u>FINAL</u>		FAVORABLE <u>(UNFAVORABLE)</u>
FIRE DEPARTMENT				
REVENUE				
Fire Calls	\$ 2,000	\$ 2,000	\$ 1,350	\$ (650)
Fire Contract with County	18,000	18,000	19,257	1,257
Miscellaneous Income	-0-	-0-	64	64
Federal Grant	-0-	-0-	32,585	32,585
State Grant	<u>-0-</u>	<u>-0-</u>	<u>2,995</u>	<u>2,995</u>
FIRE DEPARTMENT REVENUE	<u>20,000</u>	<u>20,000</u>	<u>56,251</u>	<u>36,251</u>
PUBLIC WORKS				
REVENUE				
Federal Grant	-0-	-0-	20,099	20,099
Grass Cutting	<u>500</u>	<u>500</u>	<u>610</u>	<u>110</u>
PUBLIC WORKS REVENUE	<u>500</u>	<u>500</u>	<u>20,709</u>	<u>20,209</u>
POLICE DEPARTMENT				
REVENUE				
Police Department Fines	90,000	90,000	78,051	(11,949)
State Grant	5,000	5,000	4,945	(55)
Returned Checks	100	100	100	-0-
Department of Safety	300	300	25	(275)
Fayette Co. General Sessions	3,000	3,000	691	(2,309)
Accident Reports	200	200	110	(90)
Miscellaneous Income	<u>300</u>	<u>300</u>	<u>10,686</u>	<u>10,386</u>
POLICE DEPARTMENT REVENUE	<u>98,900</u>	<u>98,900</u>	<u>94,608</u>	<u>(4,292)</u>
PARKS AND RECREATION				
REVENUE				
Miscellaneous	<u>-0-</u>	<u>-0-</u>	<u>175</u>	<u>175</u>
TOTAL REVENUE	<u>756,875</u>	<u>756,875</u>	<u>767,850</u>	<u>10,975</u>

TOWN OF ROSSVILLE, TENNESSEE  
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

- Continued -

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	VARIANCE WITH FINAL BUDGET-
	<u>ORIGINAL</u>	<u>FINAL</u>		FAVORABLE <u>(UNFAVORABLE)</u>
ADMINISTRATION				
EXPENSES				
Advertising	\$ 900	\$ 900	\$ 1,316	\$ (416)
Per Diem	3,600	3,600	3,700	(100)
Auditor	4,500	4,500	4,050	450
Business Taxes	2,000	-0-	-0-	-0-
Building Inspector	8,000	8,000	7,362	638
Office Cleaning	550	700	760	(60)
Dues & Subscriptions	1,000	800	798	2
Engineer	30,000	30,000	23,556	6,444
City Attorney	16,000	16,000	14,288	1,712
Property/Liability Insurance	8,750	8,220	9,892	(1,672)
Worker's Compensation	500	313	313	-0-
Health Insurance	12,000	12,000	4,209	7,791
IRA - Employer Portion	2,000	2,000	2,314	(314)
Mileage/Travel	2,000	2,000	2,403	(403)
Miscellaneous Expenses	-0-	-0-	2,384	(2,384)
Mobile Phones	600	600	401	199
Office Supplies	2,000	3,000	3,309	(309)
Operating Expenses	3,500	3,000	2,278	722
Petty Cash	200	200	-0-	200
Payroll Taxes	6,000	6,000	7,197	(1,197)
Payroll Expenses	500	500	1,021	(521)
Pest Control	180	230	230	-0-
Professional Fees	200	150	-0-	150
Refunds	-0-	767	266	501
Rent	180	180	-0-	180
Transfers Out	-0-	-0-	11,911	(11,911)
Repair & Maintenance	500	2,000	956	1,044
Salaries	98,000	98,000	44,715	53,285
County Tax	418	418	-0-	418
Telephone	2,800	2,800	3,251	(451)
Training	1,000	1,000	200	800
Utilities	<u>6,000</u>	<u>6,000</u>	<u>5,159</u>	<u>841</u>
ADMINISTRATIVE EXPENSES	<u>213,878</u>	<u>213,878</u>	<u>158,239</u>	<u>55,639</u>

TOWN OF ROSSVILLE, TENNESSEE  
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
- Continued -

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	VARIANCE WITH FINAL BUDGET- FAVORABLE
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(UNFAVORABLE)</u>
<b>FIRE DEPARTMENT</b>				
EXPENSES				
Advertising	\$ 250	\$ 250	\$ 503	\$ (253)
Per Diem	25,000	25,000	25,910	(910)
Radio	2,000	2,000	1,547	453
Dues & Subscriptions	250	250	309	(59)
Mileage	200	200	704	(504)
Capital Outlay	10,000	10,000	42,272	(32,272)
Fuel	3,500	3,500	1,482	2,018
Property/Liability Insurance	4,000	4,000	3,824	176
Worker's Compensation	1,600	1,600	1,692	(92)
Miscellaneous Expenses	-0-	-0-	155	(155)
Office Supplies	1,000	1,000	102	898
Operating Expenses	4,000	4,000	3,593	407
Professional Fees	1,000	1,000	-0-	1,000
Repair & Maintenance	2,000	2,000	1,946	54
Training	2,500	2,500	1,404	1,096
Truck Maintenance	<u>2,500</u>	<u>2,500</u>	<u>2,853</u>	<u>(353)</u>
FIRE DEPARTMENT EXPENSES	<u>59,800</u>	<u>59,800</u>	<u>88,296</u>	<u>(28,496)</u>
<b>PUBLIC WORKS</b>				
EXPENSES				
Advertising	-0-	-0-	190	(190)
Fuel	3,000	3,000	2,948	52
Property/Liability Insurance	1,000	1,000	753	247
Worker's Compensation	3,000	3,000	1,138	1,862
Health Insurance	13,000	13,000	10,493	2,507
IRA	-0-	-0-	878	(878)
Car Expense	-0-	-0-	49	(49)
Operating Expenses	1,500	1,500	5,367	(3,867)
Payroll Taxes	4,000	4,000	4,157	(157)
Payroll Expenses	200	200	193	7
Repair & Maintenance	6,000	6,000	14,493	(8,493)
Salaries	54,000	54,000	56,632	(2,632)
Tractor Maintenance	2,000	2,000	77	1,923
Truck Maintenance	200	200	1,410	(1,210)
Utilities	1,000	1,000	239	761
Miscellaneous	<u>-0-</u>	<u>-0-</u>	<u>1,850</u>	<u>(1,850)</u>
PUBLIC WORKS EXPENSES	<u>88,900</u>	<u>88,900</u>	<u>100,867</u>	<u>(11,967)</u>

TOWN OF ROSSVILLE, TENNESSEE  
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

- Continued -

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	VARIANCE WITH FINAL BUDGET- FAVORABLE
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(UNFAVORABLE)</u>
POLICE DEPARTMENT				
EXPENSES				
Advertising	\$ 200	\$ 200	\$ 309	\$ (109)
Car Expense	14,000	12,000	12,239	(239)
Department of Safety	5,000	5,000	3,678	1,322
Dues & Subscriptions	850	850	499	351
Engineer	-0-	-0-	240	(240)
Fuel	28,000	28,000	26,707	1,293
Property/Liability Insurance	11,000	11,000	10,246	754
Worker's Compensation	10,000	5,000	4,167	833
Health Insurance	17,850	17,850	20,475	(2,625)
IRA	1,000	1,000	247	753
Judges Fees	6,000	6,000	6,000	-0-
Litigation Taxes	7,500	7,500	7,547	(47)
Mileage	500	500	250	250
Mobile Phones	1,300	1,300	969	331
Office Supplies	1,400	1,400	1,305	95
Operating Expenses	9,500	9,500	6,692	2,808
Payroll Taxes	11,500	11,500	15,138	(3,638)
Professional Fees	2,600	2,600	657	1,943
Returned Checks	-0-	-0-	388	(388)
Miscellaneous	-0-	-0-	25	(25)
Capital Outlay	29,000	29,000	31,724	(2,724)
State Grant	-0-	-0-	4,945	(4,945)
Refunds	400	400	878	(478)
Radio Expenses	1,000	1,000	360	640
Repair & Maintenance	1,000	1,000	485	515
Salaries	189,000	196,000	197,542	(1,542)
Training	7,000	7,000	4,862	2,138
Uniforms	3,000	3,000	2,831	169
Utilities	300	300	263	37
Payroll Expenses	<u>1,500</u>	<u>1,500</u>	<u>-0-</u>	<u>1,500</u>
POLICE DEPARTMENT EXPENSES	<u>360,400</u>	<u>360,400</u>	<u>361,668</u>	<u>(1,268)</u>

TOWN OF ROSSVILLE, TENNESSEE  
 GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

- Continued -

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	VARIANCE WITH FINAL BUDGET- FAVORABLE
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(UNFAVORABLE)</u>
PARKS/RECREATION				
EXPENSES				
Operating Expenses	\$ <u>5,000</u>	\$ <u>5,000</u>	\$ <u>9,797</u>	\$ <u>(4,797)</u>
PARKS/RECREATION EXPENSES	<u>5,000</u>	<u>5,000</u>	<u>9,797</u>	<u>(4,797)</u>
TOTAL EXPENSES	<u>727,978</u>	<u>727,978</u>	<u>718,867</u>	<u>9,111</u>
EXCESS (DEFICIENCY) OF				
REVENUES OVER EXPENSES	\$ <u><u>28,897</u></u>	\$ <u><u>28,897</u></u>	\$ <u><u>48,983</u></u>	\$ <u><u>20,086</u></u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT

TOWN OF ROSSVILLE, TENNESSEE  
STATE STREET AID FUND STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Year Ended June 30, 2011

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>		FINAL BUDGET- FAVORABLE <u>(UNFAVORABLE)</u>
<b>REVENUE</b>				
Gas/Fuel Tax	\$ 10,000	\$ 10,000	\$ 10,742	\$ 742
Transfer from General Fund	-0-	-0-	11,911	11,911
Miscellaneous	<u>-0-</u>	<u>-0-</u>	<u>90</u>	<u>90</u>
<b>TOTAL REVENUE</b>	<u>10,000</u>	<u>10,000</u>	<u>22,743</u>	<u>12,743</u>
<b>EXPENSES</b>				
Miscellaneous	-0-	-0-	90	(90)
Operating Expenses	500	500	-0-	500
Repair & Maintenance	1,000	1,000	1,289	(289)
Street Repair	15,000	15,000	1,442	13,558
Utilities	15,000	15,000	17,654	(2,654)
Insurance	<u>100</u>	<u>100</u>	<u>79</u>	<u>21</u>
<b>TOTAL EXPENSES</b>	<u>31,600</u>	<u>31,600</u>	<u>20,554</u>	<u>11,046</u>
<b>EXCESS (DEFICIENCY) OF</b>				
<b>REVENUES OVER EXPENSES</b>	\$ <u>(21,600)</u>	\$ <u>(21,600)</u>	\$ <u>2,189</u>	\$ <u>23,789</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT

TOWN OF ROSSVILLE, TENNESSEE  
 DRUG FUND STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 Year Ended June 30, 2011

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>		FINAL BUDGET- FAVORABLE (UNFAVORABLE)
REVENUE				
Drug Money	\$ <u>    -0-</u>	\$ <u>    -0-</u>	\$ <u>    -0-</u>	\$ <u>    -0-</u>
TOTAL REVENUE	<u>    -0-</u>	<u>    -0-</u>	<u>    -0-</u>	<u>    -0-</u>
EXPENSES				
Drug Fund Purchases	<u>    -0-</u>	<u>    -0-</u>	<u>    -0-</u>	<u>    -0-</u>
TOTAL EXPENSES	<u>    -0-</u>	<u>    -0-</u>	<u>    -0-</u>	<u>    -0-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ <u>    -0-</u>	\$ <u>    -0-</u>	\$ <u>    -0-</u>	\$ <u>    -0-</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT

TOWN OF ROSSVILLE, TENNESSEE  
SOLID WASTE FUND STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Year Ended June 30, 2011

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	VARIANCE WITH FINAL BUDGET- FAVORABLE <u>(UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUE</b>				
Trash Fees from Water Fund	\$ <u>36,000</u>	\$ <u>36,000</u>	\$ <u>41,033</u>	\$ <u>5,033</u>
TOTAL REVENUE	<u>36,000</u>	<u>36,000</u>	<u>41,033</u>	<u>5,033</u>
<b>EXPENSES</b>				
Trash Fees	<u>36,000</u>	<u>36,000</u>	<u>42,200</u>	<u>6,200</u>
TOTAL EXPENSES	<u>36,000</u>	<u>36,000</u>	<u>42,200</u>	<u>6,200</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>(1,167)</u></u>	\$ <u><u>(1,167)</u></u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Rossville, Tennessee (Town) operates under a Mayor-Alderman form of government and provides the following services as authorized by its Charter: public safety, street maintenance, sanitation, water, sewer and general administrative services.

**A. Reporting Entity**

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. The Town of Rossville does not have a component unit.

GASB Statement No. 34 established requirements and a reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. The basic tenets of the Standards are as follows:

TOWN OF ROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
- Continued -

**Management's Discussion and Analysis** - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

**Government-Wide Financial Statements** - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

**Schedule of Net Assets** - The Schedule of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its directly presented component units. Governments will report all capital assets, including infrastructure, in the government-wide Schedule of Net Assets and will report depreciation expense-the cost of "using up" capital assets-in the Schedule of Activities. The net assets of a government will be broken down into three categories-(1)invested in capital assets, net of related debt or invested in capital assets (when no debt is present); (2)restricted; and (3) unrestricted.

**Schedule of Activities** - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

TOWN OF ROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
- Continued -

**Budgetary Comparison Schedules** - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The schedules included in the required supplementary information include the original budget, the final budget and actual results.

**B. Government-wide and fund financial statements**

The basic financial statements include both government-wide (based on the Town as a whole) and fund types (the total of all funds of a particular type). The focus is on either the Town as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Town generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Town may defer the use of restricted assets based on a review of the specific transaction. The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which is otherwise being supported by general government revenues (property, sales, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

TOWN OF ROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
- Continued -

The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The governmental funds and major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. These funds are normally budgeted in this manner. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile funds based on financial statements with the governmental column of the government-wide presentation. The focus of the revised model is on the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. In the fund financial statements, financial transactions and accounts are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities, or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into categories as follows:

TOWN OF ROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
- Continued -

GOVERNMENTAL FUNDS

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes. The Town of Rossville has three special revenue funds which are the State Street Aid Fund, the Drug Fund, and the Solid Waste Collection Fund.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The primary revenue source is local property taxes levied specifically for debt service. The Town of Rossville has no debt service funds.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Trust Funds). The Town of Rossville has no capital projects funds.

TOWN OF ROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
- Continued -

PROPRIETARY FUNDS

Proprietary Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. They apply 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 Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. 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. The Town of Rossville has one proprietary fund which is the Water and Sewer Fund.

REPORTING MODEL

As part of the reporting model, the emphasis for the fund financial statements is on major funds within the governmental and propriety fund types. The general fund is always to be reported as a major fund. Other major funds are determined annually based on the following criteria:

- 1) Total assets, liabilities, revenues, or expenditures (expenses) of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and,

TOWN OF ROSSVILLE, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 - Continued -

2) Total assets, liabilities, revenues or expenditures (expenses) of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Town of Rossville has declared the three special funds as major funds. The Town believes this presentation is important to the financial statement users.

**C. Capital Assets and Long-Term Liabilities**

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds, and as assets in the government-wide financial statements, to the extent the Town's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Depreciation is recorded on capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. Of the \$2,500,771 in retroactive infrastructure capitalized at July 1, 2003, the entire amount was estimated using current replacement cost for a similar asset and deflating this cost through the use of price indices to the acquisition year. The Town does not capitalize historical treasures or works of art.

The Town generally capitalizes assets with a life of one year or more. The cost of normal maintenance and repairs that do not add to the asset or materially extend the useful lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

	<u>ESTIMATED USEFUL LIFE</u>	<u>CAPITALIZATION THRESHOLD</u>
Land	-0-	Cost
Buildings	40 years	\$ 1,000
Infrastructure	40 years	500
Furniture and Fixtures	7-10 years	100

TOWN OF ROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
- Continued -

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

In the government-wide financial statements, debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenses when paid. The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net of current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of long-term loans receivable are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

TOWN OF ROSSVILLE, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 - Continued -

All proprietary funds are accounted for on a cost of service or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	<u>ESTIMATED USEFUL LIFE</u>	<u>CAPITALIZATION THRESHOLD</u>
Land	-0-	Cost
Buildings	40 years	\$ 1,000
Other Furniture and Equipment	7-10 years	200
Mobile Equipment	5 years	200
Computer Equipment	3 years	200
Utility Plant	40 years	Cost

**D. 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to

TOWN OF ROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
- Continued -

compensation absences and claims and judgments, are recorded only when payment is due.

Taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 governmental funds:

The general fund is the government's primary operating fund. This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The state street aid fund is a special fund. This fund is used in the maintenance of the streets and for the payment of utility expenditures for street lights.

The drug fund is a special fund. This fund is used to account for one-half of the fines from drug offenses as well as any cash forfeited to the Town and any proceeds from the sale of any forfeited property go into the drug fund. The funds can be expended on drug related programs and general drug enforcement expenditures.

The solid waste collection fund is a special fund. This fund is used in the collection of fees and the payment of solid waste expenditures.

**E. Budgets and Budgetary Accounting**

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

1. Prior to May 1, the Town Recorder submits to the Mayor and Board of Alderpersons a proposed operating budget for the fiscal year commencing the following July 1.

2. Public hearings are conducted at the City Hall to obtain taxpayer comments.

TOWN OF ROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
- Continued -

3. The budget, as submitted, is reviewed by the Mayor and Board of Alderpersons and necessary revisions are made to the budget. Then the budget is approved prior to June 15.

4. The budget is formally revised during May of each year or anytime a deficit is indicated.

5. Budgetary comparisons are employed by management as a management control device during the year. The budget and actual comparisons are formally presented to the Mayor and Board of Alderpersons throughout the year.

6. The budgets adopted are on a modified cash (Non GAAP) basis. Revenues are recognized when receipted (cash basis) from July 1 through June 30. Expenditures are recognized when legally budgeted and disbursed throughout the fiscal year or within 30 days thereafter. However, expenditures for uncompleted improvements in progress of construction may be charged to the budget at any time.

All annual appropriations lapse at fiscal year end.

**F. Encumbrance System**

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

**G. Deposits and Investments**

The Town deposits funds in financial institutions selected by the Board of Alderpersons in accordance with state statutes.

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

Cash on Deposit

All deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) must be collateralized in an amount equal to 105% of the uninsured amount.

TOWN OF ROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
- Continued -

Investments

The Town is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Tennessee, or of any county or municipality of this state, when such county or municipal bonds have been properly approved; or interest-bearing time certificates of deposit or interest-bearing accounts with any financial institution approved for the deposit of state funds.

**H. Receivables**

The Town's receivables are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off with the exception of taxes.

**I. Policy for Eliminating Internal Activity (Due from/to Other Funds)**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." These balances are eliminated within the governmental activities funds and within the business-type activities funds. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements at "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 financial resources. See Note five for details for interfund receivables and payables at year end.

The government-wide statement of activities eliminates transfers reported within the segregated governmental and business-type activities columns. Only transfers between the Governmental Activities column and the Business-Type Activities column would appear in this statement.

TOWN OF ROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
- Continued -

**J. Prepaid Expenses**

Payments made for services that will benefit periods beyond June 30, 2011, are recorded as prepaid expenses.

**K. Accumulated Unpaid Vacation**

All funds record as expenditures the vacation accrued during the year that would normally be liquidated with expendable available financial resources. The employees accumulate vacation days and in the event of termination employees are reimbursed for accumulated vacation up to a maximum of 20 days. The current portion of the accrued vacation at June 30, 2011, recorded is the amount that would normally be liquidated with expendable available financial resources.

**L. Deferred Revenues**

Deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met. The Town has reported deferred revenues for the uncollected portion of property taxes receivable within the General Fund. Amounts classified as such are deemed to be measurable, but not available.

**M. Property Taxes**

Property taxes are levied annually on January 1. The taxes are due and payable from the following October through February in the year succeeding the tax levy. An unperfected lien attaches by statute to property on March 1 for unpaid taxes from the prior year's levy. Taxes uncollected for one year past the due date may be submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment.

**N. Fund Equity**

Government-Wide Statements

In accordance with GASB Statement No. 34, equity is classified as net assets and displayed in three components:

TOWN OF ROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
- Continued -

1. Invested in capital assets, net of related debt or invested in capital assets (when no debt is owed)-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets-Consists of net assets with constraints placed on the use either by:
  - (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or
  - (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets-All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

**O. Service Revenues**

The Enterprise Fund recognizes revenues on the basis of monthly cycle billings for services provided. As a result of this practice, unbilled service revenues exist at the end of each fiscal period with respect to services provided but not billed. These unrecorded amounts are not material to the financial statements.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Actual expenditures exceeded budgeted expenditures for the year ended June 30, 2011, in the Solid Waste Fund.

TOWN OF ROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
- Continued -

**NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Cash and Cash Equivalents**

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Tennessee State Legislature. Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying value of the Town's deposits with financial institutions was \$156,959, and the bank balance was \$127,442. The Town has a petty cash fund of \$200.00.

**Custodial Credit Risk - Deposits.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the Town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Tennessee State Treasurer manages that risk on behalf of the Town. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Tennessee State Treasurer on behalf of the Town. As of June 30, 2011, \$-0- of the Town's bank balance of \$127,442 was exposed to custodial credit risk. The Town's deposits are located in Somerville Bank and Trust Company which is a participant in the collateral pool managed by the Tennessee State Treasurer; therefore, all bank deposits were fully collateralized or insured.

TOWN OF ROSSVILLE, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 - Continued -

**INVESTMENTS**

As of June 30, 2011, the Town had the following investments.

<u>INVESTMENT TYPE</u>	<u>MATURITIES</u>	<u>FAIR VALUE</u>	<u>RATING</u>
Certificates of Deposit	Less than one year	\$ <u>1,508,550</u>	A3
Total Investments		\$ <u>1,508,550</u>	

**Interest Rate Risk.** The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** State law limits investments. The Town does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

**Concentration of Credit Risk.** Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2011, the Town had the following investments:

<u>ISSUER</u>	<u>FAIR VALUE</u>	<u>% OF TOTAL INVESTMENTS</u>
Somerville Bank & Trust Company	\$ <u>1,508,550</u>	<u>100.00</u>

TOWN OF ROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
- Continued -

**NOTE 4 - GENERAL AND PROPRIETARY FUND FIXED ASSETS**

Following is a summary of changes in capital assets for governmental activities:

	<u>BALANCE</u> <u>07-01-10</u>	<u>ADDITIONS</u>	<u>BALANCE</u> <u>06-30-11</u>
<u>Non-depreciable Assets</u>			
Land	\$ 38,000	\$ 274,216	\$ 312,216
Total Non-depreciable Assets	<u>38,000</u>	<u>274,216</u>	<u>312,216</u>
<u>Depreciable Assets</u>			
Buildings	139,611	-0-	139,611
Machinery & Equipment	1,099,914	78,942	1,178,856
Infrastructure	<u>2,527,971</u>	-0-	<u>2,527,971</u>
Total Depreciable Assets	<u>3,767,496</u>	<u>78,942</u>	<u>3,846,438</u>
Total Fixed Assets	<u>3,805,496</u>	<u>353,158</u>	<u>4,158,654</u>
<u>Accumulated Depreciation</u>			
Buildings	67,011	4,188	71,199
Machinery & Equipment	704,352	64,563	768,915
Infrastructure	<u>939,613</u>	<u>64,333</u>	<u>1,003,946</u>
Total Accumulated Depr.	<u>1,710,976</u>	<u>133,084</u>	<u>1,844,060</u>
Governmental Activities Capital Assets-Net	\$ <u>2,094,520</u>	\$ <u>220,074</u>	\$ <u>2,314,594</u>

Depreciation was charged to the following locations:

	<u>AMOUNT</u>
General Government	\$ 5,658
Public Safety	57,540
Public Works	<u>69,886</u>
Total	\$ <u>133,084</u>

On September 30, 2010, the Town of Rossville received 23.11 acres of land as a donation. The value of the property was appraised at \$274,216.

TOWN OF ROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
- Continued -

Following is a summary of changes in capital assets for business-type activities:

	BALANCE <u>07-01-10</u>	ADDITIONS	ADJUSTMENTS	BALANCE <u>06-30-11</u>
<u>Non-depreciable Assets</u>				
Construction Work in Process	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Total Non-depreciable Assets	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>Depreciable Assets</u>				
Buildings	1,075	-0-	-0-	1,075
Distribution System	2,669,369	-0-	-0-	2,669,369
Vehicles	50,592	-0-	-0-	50,592
Equipment	<u>36,989</u>	<u>-0-</u>	<u>-0-</u>	<u>36,989</u>
Total Capital Assets being Depreciated	<u>2,758,025</u>	<u>-0-</u>	<u>-0-</u>	<u>2,758,025</u>
Total Fixed Assets	<u>2,758,025</u>	<u>-0-</u>	<u>-0-</u>	<u>2,758,025</u>
<u>Accumulated Depreciation</u>				
Buildings	342	27	-0-	369
Distribution System	1,535,363	66,734	-0-	1,602,097
Vehicles	50,592	-0-	-0-	50,592
Equipment	<u>30,350</u>	<u>1,031</u>	<u>-0-</u>	<u>31,381</u>
Total Accumulated Depr.	<u>1,616,647</u>	<u>67,792</u>	<u>-0-</u>	<u>1,684,439</u>
Business-Type Activities Capital Assets-Net	\$ <u><u>1,141,378</u></u>	\$ <u><u>(67,792)</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>1,073,586</u></u>

**NOTE 5 - INTERNAL BALANCES (DUE FROM/TO OTHER FUNDS)**

Interfund balances at June 30, 2011, consist of the following individual receivables and payables in the governmental fund balance sheet. The totals are netted on the statement of net assets; therefore, eliminating the amounts from the statement.

TOWN OF ROSSVILLE, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 - Continued -

	<u>DUE FROM</u>	<u>DUE TO</u>
General Fund	\$ -0-	\$ 10,269
Water Fund	<u>10,269</u>	<u>-0-</u>
Total Funds	\$ <u>10,269</u>	\$ <u>10,269</u>

These amounts will be totally repaid within twelve months. The Water Fund reimbursed the General Fund too much.

**NOTE 6 - RISK MANAGEMENT**

The Town participates in the Tennessee Municipal League (TML) Risk Management Pool. This participation has effectively transferred risk to the pool. Coverage includes property, general liability, and employee dishonesty. The Town does not own or operate over-the-road vehicles. The Town is subject to additional assessments as a member of the pool but such assessments have never been levied on the Town and are not expected. There are no claims or judgments pending and claims paid (settled) have not exceeded insurance coverage in the past three years.

**NOTE 7 - ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**NOTE 8 - DEFINED CONTRIBUTION PLAN**

The Town participates in a defined contribution plan administered by the Security Benefit Life Insurance Company. Plan provisions are established or amended by the Board of Aldermen of the Town. The participants of the plan may contribute up to \$6,500 and the Town must match up to 3 percent of the participant's compensation. For the fiscal year ended June 30, 2011, June 30, 2010, and June 30, 2009, actual contributions by the Town and plan participants were \$4,812, \$6,262, and \$8,293, respectively.

TOWN OF ROSSVILLE, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 - Continued -

The defined contribution plan includes four participants comprised of employees of the Town. Participants are entitled to 100 percent of vested contributions. The plan is a SIMPLE IRA qualified under section 408(p) of the Internal Revenue Code.

**NOTE 9 - DEFERRED REVENUE**

The deferred revenue consists of:

Deferred Denley Escrow	\$	2,000
Deferred Property Taxes		484,036
Deferred Fire Calls		10,613
Total Deferred Revenue	\$	496,649

**NOTE 10 - LONG-TERM DEBT**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the funds statements as in the governmental-wide statements. General long-term debts are not reported as liabilities in government funds, but are reported in the governmental activities column in the government-wide statement of net activities.

The following is a summary of debt transactions of the Town for the year ended June 30, 2011:

	DATE <u>ISSUED</u>	INTEREST <u>RATE</u>	BEGINNING <u>BALANCE</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	BALANCE <u>6/30/2011</u>	CURRENT <u>PORTION</u>
Water Fund:							
USDA		4.25%	\$ <u>612,993</u>	\$ <u>-0-</u>	\$ <u>7,798</u>	\$ <u>605,195</u>	\$ <u>7,813</u>
			\$ <u>612,993</u>	\$ <u>-0-</u>	\$ <u>7,798</u>	\$ <u>605,195</u>	\$ <u>7,813</u>

TOWN OF ROSSVILLE, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 - Continued -

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2012	\$ 7,813	\$ 25,583	\$ 33,396
2013	8,152	25,244	33,396
2014	8,505	24,891	33,396
2015	8,874	24,522	33,396
2016	9,258	24,138	33,396
2017-2021	52,668	114,312	166,980
2022-2026	65,114	101,866	166,980
2027-2031	80,500	86,480	166,980
2032-2036	99,522	67,458	166,980
2037-2041	123,040	43,940	166,980
2042-2046	<u>141,749</u>	<u>15,219</u>	<u>156,968</u>
 TOTALS	 \$ <u>605,195</u>	 \$ <u>553,653</u>	 \$ <u>1,158,848</u>

**NOTE 11 - SUBSEQUENT EVENTS**

On May 8, 2006, the board approved the issuance of a \$628,000 Water and Sewer Revenue and Tax Bond, Series 2006. These funds will be used to expand the water and sewer lines of the Town. On August 14, 2006, the Town approved the negotiation with USDA for \$2,438,000 for Water and Sewer expansion. The Town will receive a grant for twenty-two percent of the funds and will borrow seventy-eight percent at 4.5% or lower over a period of 38 years. The monthly payment for the debt portion of the USDA grant is \$8,700 a month. As of June 30, 2011, \$628,000 of the bonds have been issued.

TOWN OF ROSSVILLE, TENNESSEE

SUPPLEMENTARY INFORMATION

TOWN OF ROSSVILLE, TENNESSEE  
 SCHEDULE OF CHANGES IN TAXES RECEIVABLE  
 For the Year Ended June 30, 2011

TAX LEVY FOR YEAR	TAX RATE	TAX LEVY	BEGINNING	ADDITIONS	COLLECTION	ENDING	OUTSTANDING
			OUTSTANDING	AND		OUTSTANDING	TAXES
			TAXES	ADJUSTMENTS		TAXES	COLLECTED BY CHANCERY COURT
2012	1.1266	\$ 405,213	\$ -	\$ 405,213	\$ -	\$ 405,213	\$ -
2011	1.1266	391,949	391,949	(3,494)	345,638	42,817	-
2010	1.1266	344,825	40,798	(1,567)	32,672	6,559	6,559
2008	1.2500	309,336	7,828	(1,327)	5,218	1,283	1,283
2007	1.2500	294,141	6,224	-	5,334	890	890
2006	1.2500	282,881	897	-	-	897	897
2005	1.2500	270,233	1,395	-	-	1,395	1,395
2004	1.2500	179,359	1,137	-	-	1,137	1,137
2003	0.8900	164,605	1,165	-	-	1,165	1,165
2002	0.8900	161,545	697	-	19	678	678
2001	0.8000	138,399	710	-	15	695	695
2000	0.8900	126,659	645	-	-	645	645
Before 2000			<u>20,662</u>	<u>-</u>	<u>-</u>	<u>20,662</u>	<u>20,662</u>
TOTALS			\$ <u>474,107</u>	\$ <u>398,825</u>	\$ <u>388,896</u>	\$ <u>484,036</u>	\$ <u>36,006</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT

TOWN OF ROSSVILLE, TENNESSEE  
SCHEDULE OF UTILITY RATES IN EFFECT  
June 30, 2011

WATER RATES

First 1,000 Gallons	\$3.75 Minimum Bill
Next 2,000 Gallons	1.25 per 1000 Gallons
Next 4,000 Gallons	.75 per 1000 Gallons
Over 7,000 Gallons	.67 per 1000 Gallons

SEWER RATES

First 13,500 Gallons	\$9.00 Minimum Bill
Next 1,500 Gallons	.29 per 1000 Gallons
Next 85,000 Gallons	.26 per 1000 Gallons
Next 100,000 Gallons	.23 per 1000 Gallons

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT

TOWN OF ROSSVILLE, TENNESSEE  
 SCHEDULE OF UNACCOUNTED FOR WATER  
 June 30, 2011

(All amounts in gallons)

A Water Treated and Purchased:		
B	Water Pumped (potable)	41,435,000
C	Water Purchased	<u>-0-</u>
D	Total Water Treated and Purchased (Sum Lines B and C)	<u>41,435,000</u>
E Accounted for Water:		
F	Water Sold	-0-
G	Metered for Consumption (in house usage)	34,271,000
H	Fire Department Usage	-0-
I	Flushing and Overflow	2,236,000
J	Tank Cleaning/Filling	-0-
K	Street Cleaning	-0-
L	Bulk Sales	-0-
M	Water Bill Adjustments	<u>-0-</u>
N	Total Accounted for Water (Sum Lines F thru M)	<u>36,507,000</u>
O	Unaccounted for Water (Line D minus Line N)	<u>4,928,000</u>
P	Percent Unaccounted for Water (Line O divided by Line D times 100)	<u>11.893%</u>
Q	Other (Explain)	See Below

Explain Other:

None

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item or if the line item is not applicable, a "-0-" is shown.

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT

TOWN OF ROSSVILLE, TENNESSEE  
 SCHEDULE OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2011

REFERENCE DOCUMENT NUMBER	CFDA NUMBER	BALANCE 7/01/2010	REVENUES	EXPENDITURES	BALANCE 6/30/2011
<u>FEDERAL GRANT</u>					
Federal Emergency Management Agency	EMW-2009-FD- B1075	\$ -0-	\$ 32,585	\$ 32,585	\$ -0-
USDA	10.760	-0-	20,099	20,099	-0-
Tennessee Department of Transportation	K8-10-109	-0-	4,945	4,945	-0-
Tennessee Department of Agriculture		-0-	2,995	2,995	-0-
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ -0-	\$ 60,624	\$ 60,624	\$ -0-

(1) All expenditures reported are under the modified accrual basis of accounting whereby revenues are recorded when measurable and available and expenditures are recorded when the liability is incurred.

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT



*The Dwight L. Young Group*

CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Mayor and Aldermen  
Town of Rossville, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the statements of revenues, expenditures, and changes in fund balance-budget and actual of the Town of Rossville, Tennessee (Town) as of and for the year ended June 30, 2011, which collectively comprise the Town of Rossville, Tennessee's basic financial statements, and have issued our report thereon dated February 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

#### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town of Rossville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2011-2.

The Town of Rossville's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs as finding 2011-1 and 2011-2. We did not audit the Town of Rossville's response and, accordingly, we express no opinion on them.

This report is intended solely for the information of management, the Mayor and Board of Aldermen, the State of Tennessee's Comptrollers Office, and the USDA Rural Development and is not intended to be and should not be used by anyone other than those specified parties.

*The Dwight L. Young Group*

February 13, 2012

TOWN OF ROSSVILLE, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2011

SECTION 1: CURRENT YEAR'S AUDIT FINDING

2011-01 Not Adequate Separation of Duties

Condition

The Town has two employees. One employee collects payments, prepares the deposits, reconciles the bank accounts, receives invoices, writes checks, and is the general ledger bookkeeper.

Recommendation

We recommend that the duties should be divided between the two employees and that the Mayor and Board of Aldermen consider hiring another employee.

Management Response

The Mayor and Board discussed the feasibility of the recommendation and will not hire another employee.

2011-02 Overspent Budget

Condition

The Solid Waste Fund overspent its budget by \$6,200.

Recommendation

We recommend that the Town review the expenditures and amend the budget at the end of the year.

Management Response

The monthly financial statements will be reviewed and the budgets will be amended.