

TOWN OF WHITEVILLE, TENNESSEE

**BASIC FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION**

June 30, 2011

**JONES & JONES
CERTIFIED PUBLIC ACCOUNTANTS
OF BOONEVILLE, P.A.
BOONEVILLE, MISSISSIPPI 38829-0250**

TOWN OF WHITEVILLE, TENNESSEE
Basic Financial Statements
Table of Contents
June 30, 2011

<u>Description</u>	<u>Page No.</u>
Table of Contents	--
Roster of Publicly Elected Officials and Management Officials (Unaudited)	--
Independent Auditors' Report	1-2
Required Supplementary Information	
Management's Discussion and Analysis	3-15
Schedule 1 – Municipal Employees Pension Fund	65
Basic Financial Statements	
Government-Wide Financial Statements	
Statement 1 – Statement of Net Assets	16
Statement 2 – Statement of Activities	17
Fund Financial Statements	
Statement 3 – Governmental Funds – Balance Sheet and Reconciliation of Fund Balances of Governmental Funds to the Governmental Activities in the Statement of Net Assets	18-19
Statement 4 – Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances and Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Governmental Activities in the Statement of Activities	20-21
Statement 5 – Proprietary Fund – Statement of Net Assets	22-23
Statement 6 – Proprietary Fund – Statement of Revenues, Expenses and Changes in Fund Net Assets	24-25
Statement 7 – Proprietary Fund – Statement of Cash Flows	26-27
Statement 8 – Fiduciary Fund – Statement of Fiduciary Net Assets	28
Statement 9 – General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	29-35

TOWN OF WHITEVILLE, TENNESSEE
Basic Financial Statements
Table of Contents
June 30, 2011

<u>Description</u>	<u>Page No.</u>
Basic Financial Statements - continued	
Notes to the Financial Statements	36-64
Other Supplementary Information	
Schedule 2 – Nonmajor Governmental Funds – Combining Balance Sheet	66
Schedule 3 – Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances	67
Schedule 4 – Schedule of General Long-Term Debt Principal and Interest Requirements by Fiscal Year	68
Schedule 5 – Schedule of Long-Term Debt Principal and Interest Requirements by Fiscal Year – Water and Sewer Fund	69
Schedule 6 – Schedule of Interfund Transfers and Due to Other Funds	70
Schedule 7 – Schedule of Changes in Property Taxes Receivable	71
Schedule 8 – Schedule of Expenditures of Federal Awards and State Financial Assistance	72-73
Schedule 9 – Table of Utility Rates in Force, and Number of Customers (Unaudited)	74
Schedule 10 – Schedule of Unaccounted For Water (Unaudited)	75
Schedule 11 – Assessed Value and Estimated Actual Value of Taxable Property (Unaudited)	76
Schedule 12 – Table of Outstanding Delinquent Taxes Filed with Chancery Clerk (Unaudited)	77
Schedule 13 – Nonmajor Governmental Funds – Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual	78
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	79-80

TOWN OF WHITEVILLE, TENNESSEE
Basic Financial Statements
Table of Contents
June 30, 2011

<u>Description</u>	<u>Page No.</u>
Schedule of Findings and Responses	81-102
Results of Prior Audit Findings	103-111

TOWN OF WHITEVILLE, TENNESSEE
Roster of Publicly Elected Officials and Management Officials
June 30, 2011
(Unaudited)

PUBLICLY ELECTED OFFICIALS

TITLE

James Bellar

Mayor

Sidney Woods

Aldersperson - Vice Mayor

Jimmie Lee Robertson

Aldersperson

Emily Rosson

Aldersperson

Charles Phillips

Aldersperson

Chandra Johnson

Aldersperson

Tommy Turner

Aldersperson

MANAGEMENT OFFICIALS

Patricia Randolph

Town Recorder

JONES & JONES
CERTIFIED PUBLIC ACCOUNTANTS
OF BOONEVILLE PA

Kermit V Jones Jr., C.P.A. Christopher D. Jones, C.P.A. Jeremy D. Jones, C.P.A. David W. Jones, C.P.A.

Independent Auditors' Report

To the Mayor and Board of Alderpersons
Town of Whiteville, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Whiteville, 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 Whiteville, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraphs, 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.

Because the Town does not maintain an annual inventory of capital assets, we were unable to form an opinion regarding the existence of and the amounts at which capital assets (net of accumulated depreciation) are recorded in the accompanying Statement 1 – Statement of Net Assets (governmental activities) at June 30, 2011 (stated at \$1,176,779) and the amounts at which the related depreciation expense (stated at \$81,727) is recorded in the accompanying Statement 2 – Statement of Activities (governmental activities).

Because the Town 1) was unable to provide all requested invoices, 2) paid invoices which contained errors, 3) miscalculated overtime payments, and 4) was unable to provide requested time records supporting overtime payments (projecting to \$30,005), we were unable to form an opinion on the amounts at which expenditures are recorded in the accompanying Statement 2 – Statement of Activities (governmental activities) for the year ended June 30, 2011 (stated at \$1,548,745) and Statement 4 – Statement of Revenues, Expenditures and Changes in Fund Balances (general fund) for the year ended June 30, 2011 (stated at \$1,482,254).

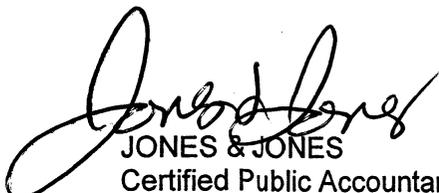
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the existence of capital assets, related depreciation and expenditures of the governmental activities and the related expenditures of the general fund as described in the preceding paragraphs, 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 aggregate remaining fund information of the Town of Whiteville, Tennessee, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general 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*, we have also issued our report dated January 30, 2012, on our consideration of the Town of Whiteville, 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 and the municipal employees' pension fund information on page 65 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Whiteville, Tennessee's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules, and other supplemental information listed in the table of contents as Schedules 2 through 8 and 13 are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards and state financial assistance and other supplemental information listed in the table of contents as Schedules 2 through 8 and 13 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other supplementary information listed in the table of contents as Roster of Publicly Elected Officials and Management Officials and Schedules 9 through 12 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Sincerely yours,


JONES & JONES
Certified Public Accountants
of Booneville, P.A.

January 30, 2012

TOWN OF WHITEVILLE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Whiteville, Tennessee, 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, 2011. We encourage readers to consider the information presented here in conjunction with the Town's financial statements, which follow this section.

Financial Highlights

The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$6,295,189 (net assets). Of this amount, \$1,587,324 (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 \$205,472.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$817,326, a decrease of \$94,258 in comparison with the prior year. Approximately 82.3 percent of this total amount, or \$672,805, is available for spending at the government's discretion (unassigned fund balance).

At the close of the current fiscal year, unassigned fund balance for the general fund was \$672,805 or 45.4 percent of total general fund expenditures.

The Town had fixed asset additions of \$62,229 during the current year. Of this amount, \$62,229 occurred in the general fund.

The Town's total debt decreased by \$14,174 (approximately 3.4 percent) during the current fiscal year. The Town entered into a capital lease arrangement to acquire a 2011 police car. New debt of \$30,395 was issued during the current year.

The Town's property tax millage rate was 77 mills for the 2010 taxes and 77 mills for the 2011 taxes.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise of 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 themselves.

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 of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

Overview of the Financial Statements – continued

Government-wide financial statements – continued. 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., 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 include general government, public safety, public works, parks and recreation, and community development. The business-type activities of the Town include water and sewer operations and solid waste collection operations.

The government-wide financial statements include not only the Town itself (known as the primary government), but also a legally separate authority—the Town of Whiteville Industrial Development Board, the Planning Committee Board, the Library Board, and the Cemetery Board. These boards, although legally separate, function for all practical purposes as a department of the Town; therefore, they have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 16 – 17 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 for specific activities or objectives. The Town, 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are 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 effect 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.

Overview of the Financial Statements – continued

Governmental funds – continued. 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 the general fund, which is considered to be a major fund. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its general fund and its special revenue funds. Budgetary comparison schedules for the general fund has been provided in the financial statements on pages 29 – 35 to demonstrate compliance with those budgets. The Town had no major special revenue fund which required budget comparison schedules. The Town also presents non-major governmental fund budgetary comparison schedules on page 78 as required by the State of Tennessee Department of Audit *Audit Manual*.

The basic governmental fund financial statements can be found on pages 18 – 21 of this report.

Proprietary funds. The Town maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer operations and its solid waste collection operations.

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 operations and the sanitation operations. The water and sewer fund is considered to be a major fund of the Town. The sanitation fund is considered to be a non-major fund of the Town.

The basic proprietary fund financial statements can be found on pages 22 – 27 of this report.

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

The basic fiduciary fund financial statements can be found on page 28 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 36 – 64 of this report.

Overview of the Financial Statements – continued

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to the municipal employees pension fund. Required supplementary information can be found on page 65 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 66 – 67 of this report.

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 Whiteville, assets exceeded liabilities by \$6,295,189 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets (71.0 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used 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.

An additional portion of the Town's net assets (approximately 3.8% or \$238,414) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (approximately 25.2% or \$1,587,324) 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 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 government's net assets decreased by \$205,472 during the current fiscal year. This decrease was mainly due to additional hiring of police officers and an increase in other expenses. See detail of changes from the prior year on the following pages. There were transfers during the current year of \$6,881.

Town of Whiteville, Tennessee's Net Assets

	Governmental Activities				Business-Type Activities				Total			
	2011	2010	Increase	%	2011	2010	Increase	%	2011	2010	Increase	%
			(Decrease)	Change			(Decrease)	Change			(Decrease)	Change
Current and other assets	\$ 1,248,131	\$ 1,308,759	\$ (60,628)	-4.6%	\$ 988,147	\$ 942,529	\$ 45,618	4.8%	\$ 2,236,278	\$ 2,251,288	\$ (15,010)	-0.7%
Capital assets	1,176,779	1,221,684	(44,905)	-3.7%	3,706,261	3,850,561	(144,300)	-3.7%	4,883,040	5,072,245	(189,205)	-3.7%
Total Assets	2,424,910	2,530,443	(105,533)	-4.2%	4,694,408	4,793,090	(98,682)	-2.1%	7,119,318	7,323,533	(204,215)	-2.8%
Long-term liabilities outstanding	142,056	138,411	3,645	2.6%	286,982	296,984	(10,002)	-3.4%	429,038	435,395	(6,357)	-1.5%
Other liabilities	307,778	302,044	5,734	1.9%	87,313	85,433	1,880	2.2%	395,091	387,477	7,614	2.0%
Total Liabilities	449,834	440,455	9,379	2.1%	374,295	382,417	(8,122)	-2.1%	824,129	822,872	1,257	0.2%
Net assets												
Investment in capital assets, net of related debt	1,045,048	1,093,441	(48,393)	-4.4%	3,424,403	3,556,934	(132,531)	-3.7%	4,469,451	4,650,375	(180,924)	-3.9%
Restricted	144,828	135,935	8,893	6.5%	93,586	74,414	19,172	25.8%	238,414	210,349	28,065	13.3%
Unrestricted	785,200	860,612	(75,412)	-8.8%	802,124	779,325	22,799	2.9%	1,587,324	1,639,937	(52,613)	-3.2%
Total Net Assets	\$ 1,975,076	\$ 2,089,988	\$ (114,912)	-5.5%	\$ 4,320,113	\$ 4,410,673	\$ (90,560)	-2.1%	\$ 6,295,189	\$ 6,500,661	\$ (205,472)	-3.2%

Town of Whiteville, Tennessee's Changes in Net Assets

	Governmental Activities				Business-Type Activities				Total			
	2011	2010	Increase	%	2011	2010	Increase	%	2011	2010	Increase	%
			(Decrease)	Change			(Decrease)	Change			(Decrease)	Change
Revenue												
Program Revenues												
Charges for services	\$ 184,175	\$ 156,165	\$ 28,010	17.9%	\$ 742,076	\$ 738,126	\$ 3,950	0.5%	\$ 926,251	\$ 894,291	\$ 31,960	3.6%
Operating grants and contributions	342,478	141,104	201,374	142.7%	-	-	-	0.0%	342,478	141,104	201,374	142.7%
Capital grants and contributions	15,008	650	14,358	2208.9%	-	1,363	(1,363)	-100.0%	15,008	2,013	12,995	645.6%
General Revenues												
Taxes												
Property taxes and late fees	213,067	219,350	(6,283)	-2.9%	-	-	-	0.0%	213,067	219,350	(6,283)	-2.9%
Sales tax	446,885	416,183	30,702	7.4%	-	-	-	0.0%	446,885	416,183	30,702	7.4%
Beer tax	83,023	89,992	(6,969)	-7.7%	-	-	-	0.0%	83,023	89,992	(6,969)	-7.7%
Franchise tax	23,926	24,020	(94)	-0.4%	-	-	-	0.0%	23,926	24,020	(94)	-0.4%
In lieu taxes	52,218	51,042	1,176	2.3%	-	-	-	0.0%	52,218	51,042	1,176	2.3%
Income and excise tax	3,171	3,529	(358)	-10.1%	-	-	-	0.0%	3,171	3,529	(358)	-10.1%
Investment income	1,984	4,406	(2,422)	-55.0%	4,094	5,620	(1,526)	-27.2%	6,078	10,026	(3,948)	-39.4%
Miscellaneous	21,832	9,112	12,720	139.6%	2,115	125	1,990	1592.0%	23,947	9,237	14,710	159.3%
Total revenue	<u>\$ 1,387,767</u>	<u>\$ 1,115,553</u>	<u>\$ 272,214</u>	<u>24.4%</u>	<u>\$ 748,285</u>	<u>\$ 745,234</u>	<u>\$ 3,051</u>	<u>0.4%</u>	<u>\$ 2,136,052</u>	<u>\$ 1,860,787</u>	<u>\$ 275,265</u>	<u>14.8%</u>

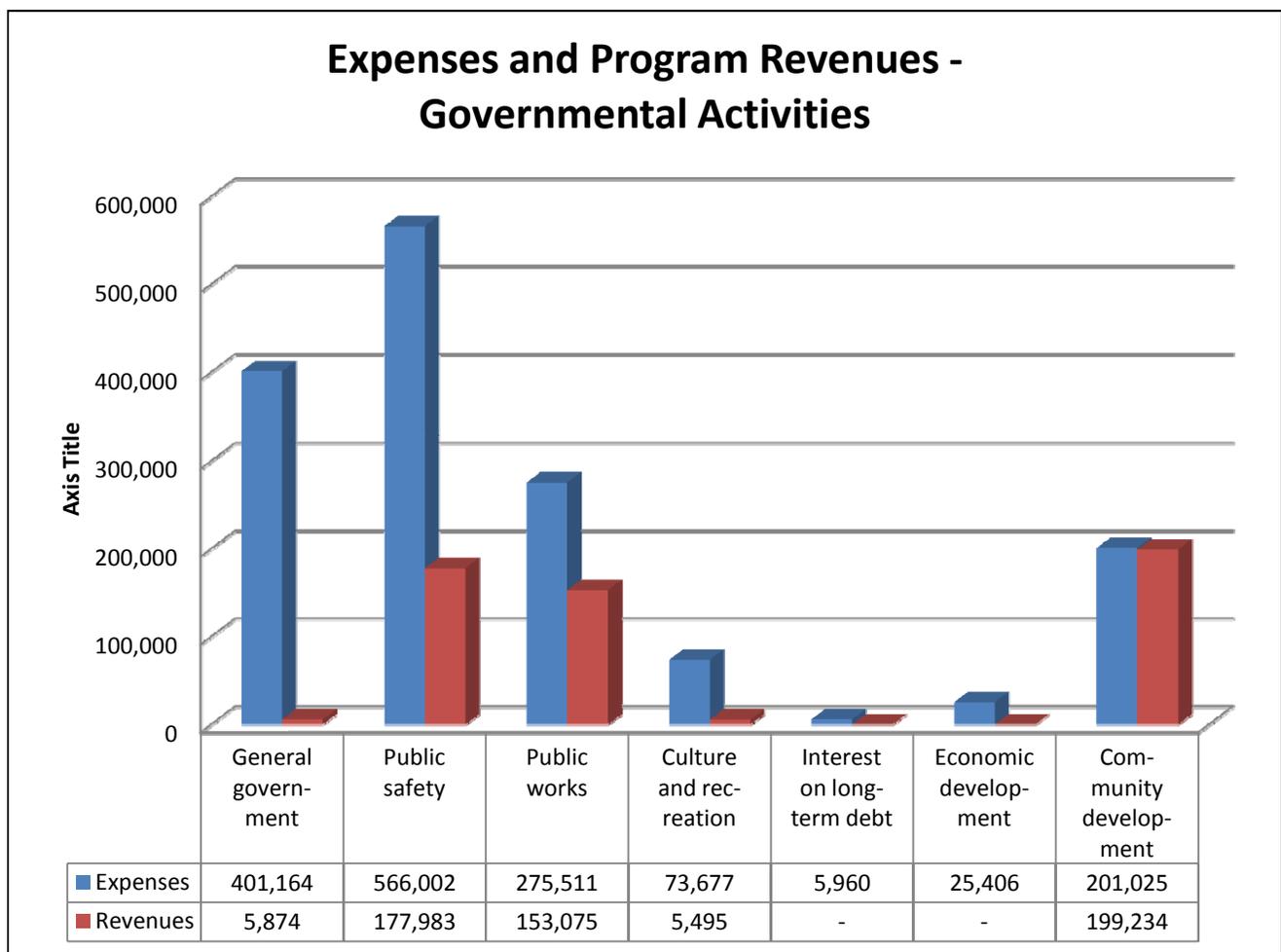
Town of Whiteville, Tennessee's Changes in Net Assets - continued

	Governmental Activities				Business-Type Activities				Total			
	2011	2010	Increase (Decrease)	% Change	2011	2010	Increase (Decrease)	% Change	2011	2010	Increase (Decrease)	% Change
Expenses:												
General government	\$ 401,164	\$ 429,728	\$ (28,564)	-6.6%	\$ -	\$ -	\$ -	0.0%	\$ 401,164	\$ 429,728	\$ (28,564)	-6.6%
Public safety	566,002	450,922	115,080	25.5%	-	-	-	0.0%	566,002	450,922	115,080	25.5%
Public works	275,511	228,316	47,195	20.7%	-	-	-	0.0%	275,511	228,316	47,195	20.7%
Culture and recreation	73,677	49,587	24,090	48.6%	-	-	-	0.0%	73,677	49,587	24,090	48.6%
Economic development	25,406	-	25,406	0.0%	-	-	-	0.0%	25,406	-	25,406	0.0%
Community development	201,025	-	201,025	0.0%	-	-	-	0.0%	201,025	-	201,025	0.0%
Interest	5,960	5,970	(10)	-0.2%	-	-	-	0.0%	5,960	5,970	(10)	-0.2%
Water and sewer	-	-	-	0.0%	777,772	746,203	31,569	4.2%	777,772	746,203	31,569	4.2%
Sanitation	-	-	-	0.0%	54,192	53,513	679	1.3%	54,192	53,513	679	1.3%
Total expenses	1,548,745	1,164,523	384,222	33.0%	831,964	799,716	32,248	4.0%	2,380,709	1,964,239	416,470	21.2%
Increase (decrease) in net assets												
before contributions and transfers	(160,978)	(48,970)	(112,008)	228.7%	(83,679)	(54,482)	(29,197)	53.6%	(244,657)	(103,452)	(141,205)	136.5%
Gain on disposition of fixed assets	39,185	(19,086)	58,271	-305.3%	-	-	-	0.0%	39,185	(19,086)	58,271	-305.3%
Transfers	6,881	-	6,881	0.0%	(6,881)	-	(6,881)	0.0%	-	-	-	0.0%
Increase (decrease) in net assets	(114,912)	(68,056)	(46,856)	68.8%	(90,560)	(54,482)	(36,078)	66.2%	(205,472)	(122,538)	(82,934)	67.7%
Net assets--beginning of year	2,089,988	2,158,044	(68,056)	-3.2%	4,410,673	4,465,155	(54,482)	-1.2%	6,500,661	6,623,199	(122,538)	-1.9%
Net assets--end of year	\$1,975,076	\$2,089,988	\$ (114,912)	-5.5%	\$4,320,113	\$4,410,673	\$ (90,560)	-2.1%	\$6,295,189	\$6,500,661	\$ (205,472)	-3.2%

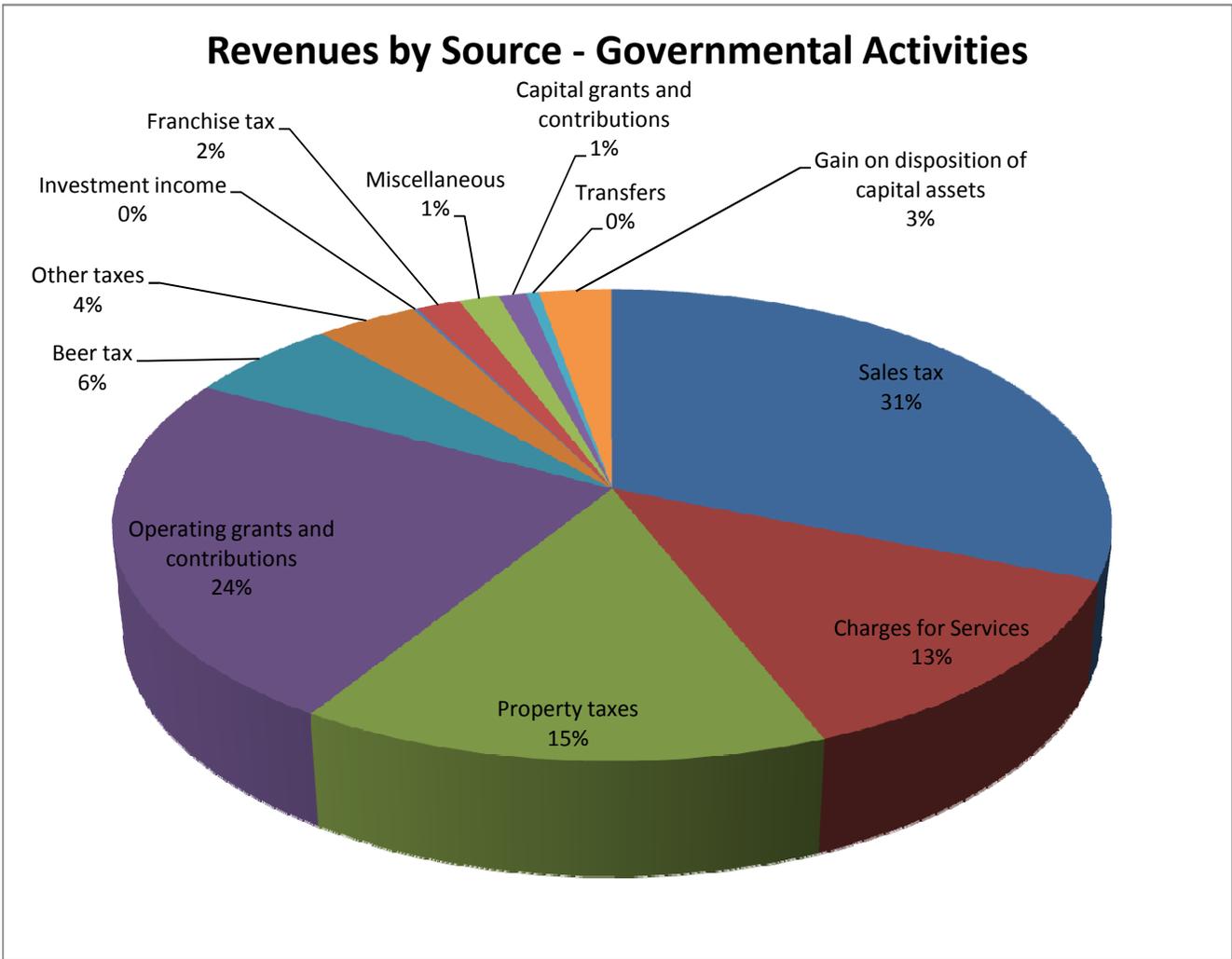
Government-wide Financial Analysis- continued

Governmental activities. Governmental activities decreased the Town's net assets by \$114,912. By comparison, governmental activities reported a decrease in net assets the previous fiscal year of approximately \$68,056. Key elements of the changes are as follows:

During the year, general government expenses decreased by \$28,564 (approximately 6.6 percent), public safety expense increased by \$115,080 (approximately 25.5 percent), public works expenses increased by \$47,195 (approximately 20.7 percent), culture and recreation expenses increased by \$24,090 (approximately 48.6 percent). The 2010 tax rate was reduced from the 2009 tax rate of 77.41 mils to 77 mils.



Government-wide Financial Analysis- continued



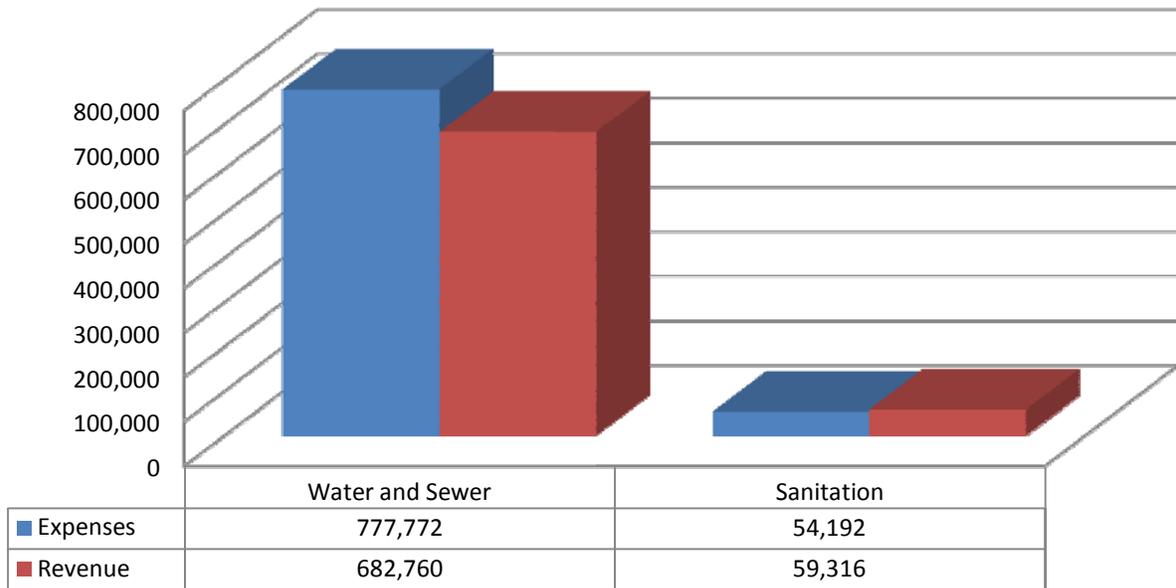
Business-type activities. Business-type activities decreased the Town's net assets by \$90,560 accounting for 44.1% of the total decrease in the government's net assets for the current year. By comparison, business-type activities reported an decrease in net assets the previous fiscal year of approximately \$54,482. Key elements of this decrease are as follows:

Charges for services for business-type activities increased approximately \$3,950 or roughly .5 percent, compared to the prior year. This is a result of the stabilization of the economy.

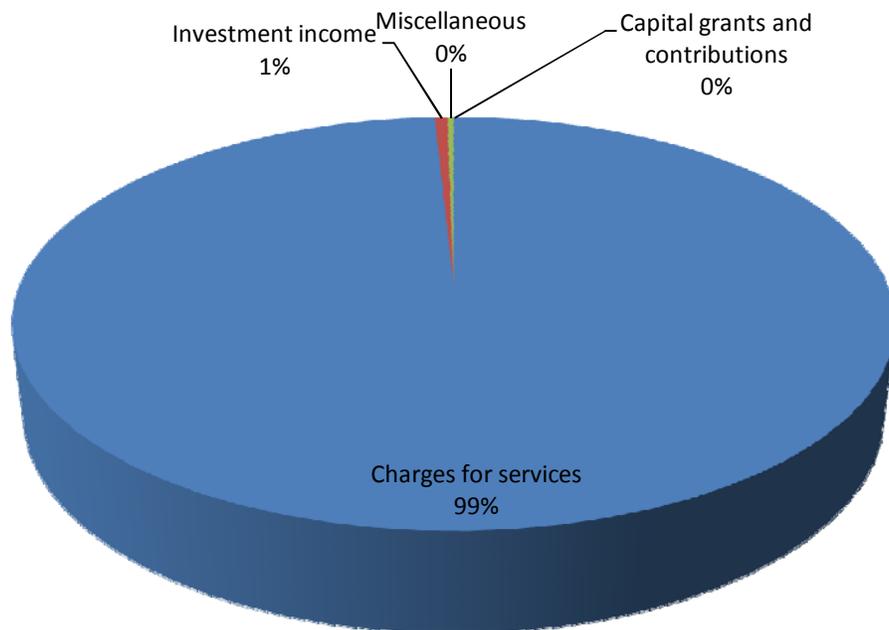
Expenses increased approximately 4 percent or \$32,248 compared to the prior year.

Government-wide Financial Analysis- continued

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$817,326 a decrease of \$94,258 in comparison with the prior year. Approximately 82.3 percent of this total amount, or \$672,805, is available for spending at the government's discretion (unassigned fund balance).

The remainder of fund balance is either nonspendable or restricted to indicate that it is not available for new spending because the donation received for the perpetual care of the municipal cemetery in the amount of \$43,691 can never be spent. The Drug Fund in the amount of \$100,830 is restricted by State Law for drug awareness and enforcement expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$672,805, while total fund balance was \$672,805. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 45.4 percent of total general fund expenditures.

The fund balance of the Town's general fund decreased by \$103,185 during the current fiscal year. This is primarily attributable to an increase in public safety expenses of \$74,999 and public works expenses of \$48,117.

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

Unrestricted net assets of the water and sewer and solid waste collection funds at the end of the year amounted to \$802,019 and \$105, respectively. The water and sewer fund had a decrease in net assets for the year of \$88,803, whereas the waste collection fund had a decrease of \$1,757.

Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The Town made amendments totaling \$91,542 to its original budget. Details are provided in Statement 9 on pages 29-35.

During the year, general fund revenues and expenditures were more than the budgetary estimates, resulting in an increase in fund balance that was more than projected in the final budget fund balance by approximately \$95,671.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounted to \$4,883,040 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, and park facilities. Capital assets also include roads, highways, bridges and other infrastructure acquired after July 1, 2001. The total decrease in the Town's investment in capital assets for the current fiscal year was approximately 3.7 percent (an approximate 3.7 percent decrease for governmental activities and an approximate 3.7 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

Police vehicle	\$	30,395
Police surveillance camera system and police lights		24,135
Street department equipment		7,699

Town of Whiteville, Tennessee's Capital Assets - Net

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 206,406	\$ 54,299	\$ 260,705
Infrastructure	188,357	-	188,357
Buildings and systems	481,400	3,630,386	4,111,786
Automotive and equipment	300,616	21,576	322,192
Total	\$ 1,176,779	\$ 3,706,261	\$ 4,883,040

Additional information on the Town's capital assets can be found in Note 6 on pages 50 - 51 of this report and in the long-term debt section below.

Capital Asset and Debt Administration - continued

Long-term debt. At the end of the current fiscal year, the Town had total debt outstanding of \$407,696. Of this amount, \$216,989 comprises debt backed by the full faith and credit of the government. The remainder of the Town's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Town of Whiteville, Tennessee's Outstanding Debt General Obligation and Revenue Bonds

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
General obligation bonds	\$ 100,131	\$ 116,858	\$ 216,989
Lease agreements	25,707	-	25,707
Revenue bonds	-	165,000	165,000
Total	<u>\$ 125,838</u>	<u>\$ 281,858</u>	<u>\$ 407,696</u>

The Town's total debt decreased by \$14,174 (approximately 3.4 percent) during the current fiscal year. The Town entered into a capital lease arrangement to acquire a 2011 police car. New debt of \$30,395 was issued during the current year.

The Town has not received a rating from Standard & Poor's.

State statute does not limit the amount of general obligation debt a governmental entity may issue. Other short-term debt must be approved by the State. Additional information on the Town's long-term debt can be found in Note 7 on pages 51 – 54 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Town's budget for the 2012 fiscal year:

The Town has two correctional facilities located inside its city limits. This favorably increases the amount of revenues the Town receives.

The Town does not expect its tax base to vary significantly from the current year.

Inflationary trends in the region compare favorably to national indices.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$672,805.

Requests for Information

This financial report is designed to provide a general overview of the Town'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 Town Recorder, P.O. Box 324, Whiteville, Tennessee 38075-0324.

TOWN OF WHITEVILLE, TENNESSEE
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 606,872	\$ 478,438	\$ 1,085,310
Restricted cash and cash equivalents	-	18,586	18,586
Investments - certificates of deposit	214,636	264,453	479,089
Restricted investments - certificates of deposit	-	75,000	75,000
Receivables (Net, where applicable, of allowances for uncollectibles)			
Accounts (net of allowances of \$3,311)	8,065	73,920	81,985
Property taxes (net of allowances of \$4,668)	232,353	-	232,353
Interest	1,341	519	1,860
Other (net of allowances of \$116,858)	68,634	-	68,634
Prepaid expenses	17,606	4,401	22,007
Due from other governments	171,454	-	171,454
Due from other funds	(72,830)	72,830	-
Land and construction in progress	206,406	54,299	260,705
Other capital assets (net of accumulated depreciation)	970,373	3,651,962	4,622,335
Total Assets	2,424,910	4,694,408	7,119,318
LIABILITIES			
Accounts payable	59,596	38,787	98,383
Accounts payable - fixed assets	5,893	-	5,893
Related party accounts payable	25,362	-	25,362
Accrued liabilities	10,389	8,613	19,002
Accrued interest	1,073	-	1,073
Due to other governments	6,125	-	6,125
Customer deposits	-	39,913	39,913
Deferred revenues	199,340	-	199,340
Long-term debt and capital leases			
Bonds and notes payable due within one year	28,122	16,848	44,970
Obligations under capital lease due within one year	7,159	-	7,159
Bonds and notes payable due in more than one year	72,009	265,010	337,019
Obligations under capital lease due in more than one year	18,548	-	18,548
Compensated absense due in more than one year	16,218	5,124	21,342
Total Liabilities	449,834	374,295	824,129
NET ASSETS			
Investment in capital assets, net of related debt	1,045,048	3,424,403	4,469,451
Restricted for:			
Drug abuse prevention and enforcement	100,830	-	100,830
Permanent fund - perpetual care - nonexpendable	43,998	-	43,998
Debt service	-	93,586	93,586
Unrestricted	785,200	802,124	1,587,324
TOTAL NET ASSETS	\$ 1,975,076	\$ 4,320,113	\$ 6,295,189

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
Statement of Activities
For the fiscal year ended June 30, 2011

Functions/Programs	<u>Net (Expense) Revenue and Changes in Net Assets</u>						
	Expenses	<u>Program Revenues</u>			<u>Primary Government</u>		Total
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:							
General government	\$ 401,164	\$ 5,874	\$ -	\$ -	\$ (395,290)	\$ -	\$ (395,290)
Public safety	566,002	173,783	4,200	-	(388,019)	-	(388,019)
Public works	275,511	2,123	135,944	15,008	(122,436)	-	(122,436)
Culture and recreation	73,677	2,395	3,100	-	(68,182)	-	(68,182)
Economic development	25,406	-	-	-	(25,406)	-	(25,406)
Community development - housing	201,025	-	199,234	-	(1,791)	-	(1,791)
Interest	5,960	-	-	-	(5,960)	-	(5,960)
Total Governmental Activities	1,548,745	184,175	342,478	15,008	(1,007,084)	-	(1,007,084)
Business-Type Activities:							
Water and Sewer	777,772	682,760	-	-	-	(95,012)	(95,012)
Sanitation	54,192	59,316	-	-	-	5,124	5,124
Total Business-Type Activities	831,964	742,076	-	-	-	(89,888)	(89,888)
TOTAL PRIMARY GOVERNMENT	\$ 2,380,709	\$ 926,251	\$ 342,478	\$ 15,008	(1,007,084)	(89,888)	(1,096,972)
General Revenues							
Taxes							
Property taxes and late fees					213,067	-	213,067
Payment in lieu of taxes					52,218	-	52,218
Sales tax					446,885	-	446,885
Beer tax					83,023	-	83,023
Franchise tax - cable TV and natural gas					23,926	-	23,926
Income and excise tax					3,171	-	3,171
Investment income					1,984	4,094	6,078
Miscellaneous					21,832	2,115	23,947
Gain (loss) on disposition of capital assets					39,185	-	39,185
Transfers					6,881	(6,881)	-
Total					892,172	(672)	891,500
Change in Net Assets					(114,912)	(90,560)	(205,472)
NET ASSETS--BEGINNING					2,089,988	4,410,673	6,500,661
NET ASSETS--ENDING					\$ 1,975,076	\$ 4,320,113	\$ 6,295,189

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
Governmental Funds
Balance Sheet
June 30, 2011

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 503,496	\$ 103,376	\$ 606,872
Investments - certificates of deposit	173,495	41,141	214,636
Receivables (Net, where applicable, of allowances for uncollectibles)			
Property taxes (net of allowances of \$4,668)	232,353	-	232,353
Interest	1,036	307	1,343
Beer tax (net of allowances of \$0)	8,065	-	8,065
Other (net of allowances of \$116,858)	68,632	-	68,632
Due from other governments	171,454	-	171,454
Due from other funds	<u>2,546</u>	<u>2,550</u>	<u>5,096</u>
TOTAL ASSETS	<u>\$ 1,161,077</u>	<u>\$ 147,374</u>	<u>\$ 1,308,451</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 59,596	\$ -	\$ 59,596
Related party accounts payable	25,362	-	25,362
Accounts payable - fixed assets	5,893	-	5,893
Accrued liabilities	10,389	-	10,389
Due to other government	6,125	-	6,125
Due to other funds	75,380	2,546	77,926
Deferred revenues	<u>305,527</u>	<u>307</u>	<u>305,834</u>
Total Liabilities	<u>488,272</u>	<u>2,853</u>	<u>491,125</u>
FUND BALANCES			
Nonspendable	-	43,691	43,691
Restricted	-	100,830	100,830
Unassigned	<u>672,805</u>	<u>-</u>	<u>672,805</u>
Total Fund Balances	<u>672,805</u>	<u>144,521</u>	<u>817,326</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,161,077</u>	<u>\$ 147,374</u>	<u>\$ 1,308,451</u>

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
Reconciliation of Fund Balances of Governmental Funds to the
Governmental Activities in the Statement of Net Assets
June 30, 2011

FUND BALANCES OF GOVERNMENTAL FUNDS \$ 817,326

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, were not reported in the governmental funds. The capital assets were adjusted as follows:

Land and construction in progress	206,406
Other capital assets	1,990,690
Less accumulated depreciation	<u>(1,020,317)</u>
Total capital asset adjustments	<u>1,176,779</u>

Some of the Town's revenues will be collected after year end but will not be available soon enough to pay for the current period's expenditures and; therefore, are deferred in the funds. The deferred revenues were adjusted as follows:

Franchise fees	7,262
State beer tax	614
Insurance expense recovery	720
Payroll expense recovery	14,083
Insurance rebate	3,000
Intergovernmental revenue	15,008
Interest	1,352
Police fines	31,122
Property taxes	<u>33,333</u>
Total deferred revenue adjustments	<u>106,494</u>

Prepaid expenses, including prepaid insurance and prepaid software maintenance are not reported in the governmental funds. 17,606

Long-term liabilities, including bonds payable, accrued interest and compensated absences not due and payable in the current period and; therefore, are not reported in the governmental funds.

The long-term liabilities were adjusted as follows:

General obligation bonds	(100,131)
Obligations under capital leases	(25,707)
Accrued interest	(1,073)
Compensated absences	<u>(16,218)</u>
Total long-term liability adjustments	<u>(143,129)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,975,076

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the fiscal year ended June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 451,195	\$ -	\$ 451,195
License and permits	1,424	-	1,424
Intergovernmental revenues	707,828	-	707,828
Charges for services	13,107	-	13,107
Fines, forfeits and penalties	128,553	33,818	162,371
Investment income	2,202	449	2,651
Other revenue	28,693	-	28,693
	<u>1,333,002</u>	<u>34,267</u>	<u>1,367,269</u>
Total Revenues			
EXPENDITURES			
Current			
General government	392,281	-	392,281
Public safety	488,883	395	489,278
Public works	247,389	413	247,802
Culture and recreation	61,553	-	61,553
Community development	201,025	-	201,025
Capital outlay	58,245	49,206	107,451
Debt service			
Principal retirement	28,111	4,688	32,799
Interest and fiscal charges	4,767	1,033	5,800
	<u>1,482,254</u>	<u>55,735</u>	<u>1,537,989</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(149,252)</u>	<u>(21,468)</u>	<u>(170,720)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of capital leases	-	30,395	30,395
Proceeds from disposition of capital assets	39,185	-	39,185
Transfers in	6,881	-	6,881
	<u>46,066</u>	<u>30,395</u>	<u>76,461</u>
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCES	(103,186)	8,927	(94,259)
Fund balances--beginning	<u>775,991</u>	<u>135,594</u>	<u>911,585</u>
Fund balances--ending	<u>\$ 672,805</u>	<u>\$ 144,521</u>	<u>\$ 817,326</u>

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Governmental Activities in the Statement of Activities
For the fiscal year ended June 30, 2011

NET CHANGES IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS \$ (94,259)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, assets with an individual cost of more than \$500 are capitalized and the cost is allocated over their estimated useful lives and are reported as depreciation expense. The following is a detail of these differences:

Capital outlay	62,229
Cost of land donated to industry	(25,406)
Depreciation expense	(81,727)
Total capital outlay changes	<u>(44,904)</u>

The repayment of long-term debt is reported as an expenditure when due in governmental funds, but as a reduction of principal outstanding in the statement of activities. 32,799

The proceeds from issuance of long term debt is reported as revenues when incurred in governmental funds, but as an increase of principal outstanding in the statement of activities. (30,395)

Revenues in the statement of activities that are not available in governmental funds are not reported as revenue in governmental funds. Deferred revenues increased (decreased) by these amounts during the current year:

Franchise tax	5,994
State beer tax	7
FEMA grant - intergovernmental revenue	15,008
Payroll expense recovery	14,083
Insurance expense recovery	720
Insurance rebates	(500)
Insurance owed by employees	(1,226)
Rent	(685)
Interest	(668)
Property taxes	(256)
Police fines	2,823
Total changes in deferred revenues	<u>35,300</u>

Some expenses in the statement of activities do not require the use of current financial resources and; therefore, are not reported as expenditures in governmental funds. Expenses (increased) decreased by these amounts during the current year.

Compensated absences	(6,050)
Interest expense	(159)
Total changes in expenses	<u>(6,209)</u>

Prepaid expenses require the use of current financial resources and; therefore, are reported as expenditures in governmental funds. (7,244)

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (114,912)

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
Proprietary Fund
Statement of Net Assets
June 30, 2011

	Business-Type Activities-- Enterprise Fund		
	Nonmajor Fund		
	Water and Sewer	Solid Waste Collection	Totals
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 478,438	\$ -	\$ 478,438
Investments - certificates of deposit	264,453	-	264,453
Accounts receivable (net of allowance for uncollectables of \$3,311)	73,920	-	73,920
Due from other funds	55,659	17,276	72,935
Prepaid expenses	4,401	-	4,401
Accrued interest	519	-	519
Total Current Assets	877,390	17,276	894,666
RESTRICTED ASSETS			
Cash and cash equivalents	18,586	-	18,586
Investments - certificates of deposit	75,000	-	75,000
Total Restricted Assets	93,586	-	93,586
CAPITAL ASSETS			
Land and construction in progress	54,299	-	54,299
Other capital assets, net of depreciation	3,651,962	-	3,651,962
Net Capital Assets	3,706,261	-	3,706,261
Total Assets	\$ 4,677,237	\$ 17,276	\$ 4,694,513

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
Proprietary Fund
Statement of Net Assets
June 30, 2011

	Business-Type Activities-- Enterprise Fund		
	Nonmajor Fund		
	Water and Sewer	Solid Waste Collection	Totals
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 21,616	\$ 17,171	\$ 38,787
Accrued liabilities	8,613	-	8,613
Due to other funds	105	-	105
Customer deposits	39,913	-	39,913
Total Current Liabilities	<u>70,247</u>	<u>17,171</u>	<u>87,418</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS			
Current portion of long term debt	16,848	-	16,848
Total Liabilities Payable from Restricted Assets	<u>16,848</u>	<u>-</u>	<u>16,848</u>
NONCURRENT LIABILITIES			
Compensated absences	5,124	-	5,124
Revenue bonds and notes payable, less current maturities	265,010	-	265,010
Total Noncurrent Liabilities	<u>270,134</u>	<u>-</u>	<u>270,134</u>
Total Liabilities	<u>357,229</u>	<u>17,171</u>	<u>374,400</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,424,403	-	3,424,403
Restricted for debt service - expendable	93,586	-	93,586
Unrestricted	802,019	105	802,124
TOTAL NET ASSETS	<u>\$ 4,320,008</u>	<u>\$ 105</u>	<u>\$ 4,320,113</u>

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
Proprietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the fiscal year ended June 30, 2011

	Business-Type Activities-- Enterprise Fund		
	Water and Sewer	Nonmajor Fund Solid Waste Collection	Totals
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES			
Charges for services	\$ 682,760	\$ 59,316	\$ 742,076
 Total Operating Revenues	 <u>682,760</u>	 <u>59,316</u>	 <u>742,076</u>
OPERATING EXPENSES			
Personnel services	200,452	-	200,452
Payroll taxes	15,167	-	15,167
Health insurance	27,041	-	27,041
Retirement	12,105	-	12,105
Unemployment	753	-	753
Employee training	1,783	-	1,783
Postage	3,267	-	3,267
Electricity	121,848	-	121,848
Gas	193	-	193
Telephone	10,982	-	10,982
Other professional services	8,109	54,192	62,301
Office supplies	1,033	-	1,033
Operating supplies	42,168	-	42,168
Repair and maintenance	54,424	-	54,424
Difference in computer collection report and deposits	1,683	-	1,683
Sundry	3,192	-	3,192
Chemicals and laboratory supplies	89,205	-	89,205
Gas, oil and diesel	6,678	-	6,678
Insurance	19,984	-	19,984
Depreciation	144,300	-	144,300
 Total Operating Expenses	 <u>764,367</u>	 <u>54,192</u>	 <u>818,559</u>
 OPERATING INCOME (LOSS)	 <u>\$ (81,607)</u>	 <u>\$ 5,124</u>	 <u>\$ (76,483)</u>

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
Proprietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the fiscal year ended June 30, 2011

	Business-Type Activities--		
	Enterprise Fund		
	Water and Sewer	Nonmajor Fund Solid Waste Collection	Totals
OPERATING INCOME (LOSS)	\$ (81,607)	\$ 5,124	\$ (76,483)
NONOPERATING REVENUES (EXPENSES)			
Investment income	4,094	-	4,094
Miscellaneous revenues	2,115	-	2,115
Interest expense	(13,405)	-	(13,405)
Total Nonoperating Revenues (Expenses)	(7,196)	-	(7,196)
INCOME (LOSS) BEFORE CONTRIBUTIONS TRANSFERS AND CUMULATIVE EFFECTS	(88,803)	5,124	(83,679)
Transfers out	-	(6,881)	(6,881)
CHANGES IN NET ASSETS	(88,803)	(1,757)	(90,560)
TOTAL NET ASSETS--BEGINNING OF YEAR	4,408,811	1,862	4,410,673
TOTAL NET ASSETS--END OF YEAR	\$ 4,320,008	\$ 105	\$ 4,320,113

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
Proprietary Fund
Statement of Cash Flows
For the fiscal year ended June 30, 2011

	<u>Business-Type Activities--Enterprise Funds</u>		
	<u>Water and Sewer</u>	<u>Nonmajor Fund Solid Waste Collection</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 682,640	\$ 59,316	\$ 741,956
Other miscellaneous receipts	2,115	-	2,115
Cash payments to employees including fringe benefits	(258,552)	-	(258,552)
Cash payments to suppliers for goods and services	(360,090)	(45,188)	(405,278)
Net cash provided by (used in) operating activities	<u>66,113</u>	<u>14,128</u>	<u>80,241</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating transfers out to other funds	-	(6,881)	(6,881)
Net changes in due from other funds	(55,659)	(7,247)	(62,906)
Net changes in due to other funds	(78,930)	-	(78,930)
Net cash provided by (used in) non-capital financing activities	<u>(134,589)</u>	<u>(14,128)</u>	<u>(148,717)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Bond and note principal payments	(11,769)	-	(11,769)
Interest paid on bonds, notes and capital leases	(17,780)	-	(17,780)
Net cash provided by (used in) capital financing activities	<u>(29,549)</u>	<u>-</u>	<u>(29,549)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturities of investments	338,637	-	338,637
Purchase of investments	(339,453)	-	(339,453)
Interest income received	4,296	-	4,296
Net cash provided by (used in) investing activities	<u>3,480</u>	<u>-</u>	<u>3,480</u>
Net increase (decrease) in cash and cash equivalents	(94,545)	-	(94,545)
Cash and cash equivalents, beginning of year	591,569	-	591,569
Cash and cash equivalents, end of year	<u>\$ 497,024</u>	<u>\$ -</u>	<u>\$ 497,024</u>

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
Proprietary Fund
Statement of Cash Flows
For the fiscal year ended June 30, 2011

	<u>Business-Type Activities--Enterprise Funds</u>		
	<u>Water and Sewer</u>	<u>Nonmajor Fund Solid Waste Collection</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ (81,607)	\$ 5,124	\$ (76,483)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation/amortization	144,300	-	144,300
Miscellaneous revenues	2,115	-	2,115
Changes in assets and liabilities:			
Accounts receivable	100	-	100
Prepaid expense	2,189	-	2,189
Accounts payable	2,270	9,004	11,274
Accrued liabilities	(4,801)	-	(4,801)
Compensated absences	1,767	-	1,767
Customer deposits	(220)	-	(220)
Total adjustments	<u>147,720</u>	<u>9,004</u>	<u>156,724</u>
Net cash provided by (used in) operating activities	<u>\$ 66,113</u>	<u>\$ 14,128</u>	<u>\$ 80,241</u>
Cash and Cash Equivalents Include the Following Statement of Net Assets Accounts			
Cash and cash equivalents	\$ 478,438	\$ -	\$ 478,438
Restricted cash and cash equivalents	<u>18,586</u>	<u>-</u>	<u>18,586</u>
Total cash and cash equivalents	<u>\$ 497,024</u>	<u>\$ -</u>	<u>\$ 497,024</u>

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
Fiduciary Fund
Leola Roberts Building Perpetual Care Fund
Statement of Fiduciary Net Assets
June 30, 2011

Agency Fund**ASSETS**

Receivables

Accrued interest receivable

\$ 2

Investments

Certificates of deposit

8,404

Total Assets

8,406**LIABILITIES**

Due to beneficiary

303

Total Liabilities

303

NET ASSETS HELD IN TRUST FOR LEOLA ROBERTS
BUILDING PERPETUAL CARE

\$ 8,103

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance--Budget and Actual
For the fiscal year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive/ Negative
REVENUES				
Taxes				
Real estate taxes	\$ 200,500	\$ 200,500	\$ 199,369	\$ (1,131)
Delinquent property taxes	14,500	14,500	11,727	(2,773)
Penalties and interest	2,200	2,200	2,227	27
Local sales tax	123,600	123,600	139,345	15,745
Local beer tax	105,000	105,000	80,595	(24,405)
Franchise tax - natural gas	18,900	18,900	14,186	(4,714)
Franchise tax - cable TV	4,000	4,000	3,746	(254)
Total Taxes	468,700	468,700	451,195	(17,505)
Licenses and Permits				
Beer license	700	700	750	50
Building permits	400	400	300	(100)
Fees and commissions	-	-	374	374
Total Licenses and Permits	1,100	1,100	1,424	324
Intergovernmental Revenues				
In service training	-	-	4,200	4,200
County library assistance	-	-	3,100	3,100
TVA in lieu	25,000	25,000	52,218	27,218
Home program grant	-	-	199,234	199,234
Sales tax allocation	450,000	450,000	307,540	(142,460)
Income tax allocation	-	-	3,171	3,171
Beer tax allocation	-	-	2,421	2,421
Gas and motor fuel tax	-	-	126,021	126,021
Gasoline inspection fees	-	-	9,923	9,923
Total Intergovernmental Revenues	475,000	475,000	707,828	232,828
Charges for Services				
Fire protection fees	7,000	7,000	8,500	1,500
Accident report charges	240	240	89	(151)
Library fines	2,250	2,250	2,395	145
Cemetery maintenance	4,000	4,000	2,123	(1,877)
Total Charges for Services	\$ 13,490	\$ 13,490	\$ 13,107	\$ (383)

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance--Budget and Actual
For the fiscal year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive/ Negative
REVENUES - CONTINUED				
Fines, Forfeits and Penalties				
City court fines	\$ 85,000	\$ 85,000	\$ 113,528	\$ 28,528
Drug related fines	55,000	55,000	7,108	(47,892)
County court fines	10,000	10,000	7,917	(2,083)
Total Fines, Forfeits and Penalties	<u>150,000</u>	<u>150,000</u>	<u>128,553</u>	<u>(21,447)</u>
Investment Income--Interest	<u>5,000</u>	<u>5,000</u>	<u>2,202</u>	<u>(2,798)</u>
Other Revenues				
Rent	3,800	3,800	3,935	135
Rent development no. 1	1,200	1,200	1,200	-
Miscellaneous	15,000	15,000	23,558	8,558
Total Other Revenues	<u>20,000</u>	<u>20,000</u>	<u>28,693</u>	<u>8,693</u>
Total Revenues	<u>1,133,290</u>	<u>1,133,290</u>	<u>1,333,002</u>	<u>199,712</u>
EXPENDITURES				
General Government				
Legislative				
Salaries	16,500	16,500	16,349	151
Payroll taxes	45,000	45,000	45,924	(924)
Health insurance	85,000	85,000	77,273	7,727
Retirement	32,500	32,500	30,936	1,564
Unemployment insurance	3,250	3,250	5,694	(2,444)
Memberships, registration	7,500	7,500	10,452	(2,952)
Legal services	7,500	7,500	900	6,600
Other professional services	-	-	650	(650)
Out of town expense	1,000	1,000	-	1,000
Sundry	2,550	2,550	561	1,989
Total Legislative	<u>200,800</u>	<u>200,800</u>	<u>188,739</u>	<u>12,061</u>
Judicial				
Salaries	2,400	2,400	1,800	600
Other salaries	3,000	3,000	1,050	1,950
Operating supplies	-	-	574	(574)
Litigation fees	-	-	2,635	(2,635)
Total Judicial	<u>\$ 5,400</u>	<u>\$ 5,400</u>	<u>\$ 6,059</u>	<u>\$ (659)</u>

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance--Budget and Actual
For the fiscal year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive/ Negative
EXPENDITURES - CONTINUED				
General Government - continued				
Elections				
Election costs	\$ 2,500	\$ 2,500	\$ 2,554	\$ (54)
Sundry	500	500	384	116
Total Elections	<u>3,000</u>	<u>3,000</u>	<u>2,938</u>	<u>62</u>
Financial Administration				
Salaries	63,000	63,000	64,698	(1,698)
Employee education and training	1,500	1,500	648	852
Legal notices	1,500	1,500	918	582
Electricity	2,500	2,500	-	2,500
Gas	1,000	1,000	387	613
Telephone	6,000	6,000	6,671	(671)
Accounting and audit	15,000	18,750	18,750	-
Repairs and maintenance	15,000	15,000	13,925	1,075
Office supplies	-	-	5,672	(5,672)
Operating supplies	10,000	10,000	6,311	3,689
Telephone lease	2,500	2,500	-	2,500
Sundry	500	500	2,082	(1,582)
Total Financial Administration	<u>118,500</u>	<u>122,250</u>	<u>120,062</u>	<u>2,188</u>
General Government Buildings				
Salaries	2,000	2,000	2,510	(510)
Electricity	6,000	6,000	3,733	2,267
Gas	3,000	3,000	393	2,607
Repair and maintenance supplies	-	-	225	(225)
Operating supplies	2,000	2,000	1,978	22
Repair and maintenance	1,000	1,000	5,620	(4,620)
Insurance	75,000	75,000	54,737	20,263
Total General Government Buildings	<u>89,000</u>	<u>89,000</u>	<u>69,196</u>	<u>19,804</u>
Industrial Buildings and Grounds				
Electricity	850	850	268	582
Total Industrial Buildings and Grounds	<u>\$ 850</u>	<u>\$ 850</u>	<u>\$ 268</u>	<u>\$ 582</u>

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance--Budget and Actual
For the fiscal year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive/ Negative
EXPENDITURES - CONTINUED				
General Government - continued				
Public Relations				
Public relations	\$ 5,000	\$ 5,000	\$ 5,019	\$ (19)
Total Public Relations	5,000	5,000	5,019	(19)
Total General Government	422,550	426,300	392,281	34,019
Public Safety				
Police Department				
Salaries	304,000	362,800	344,315	18,485
Employee education and training	2,500	5,000	7,219	(2,219)
Electricity	5,000	5,200	5,367	(167)
Gas	-	-	(562)	562
Telephone	15,000	15,000	16,569	(1,569)
Medical	250	250	1,278	(1,028)
Professional services	2,000	2,000	(3,106)	5,106
Repair and maintenance service	-	-	6,344	(6,344)
Vehicle maintenance	20,000	25,000	10,718	14,282
Other repair and maintenance	4,500	4,500	5,956	(1,456)
Operating supplies	10,000	10,000	13,729	(3,729)
Uniforms	2,000	2,000	7,265	(5,265)
Gasoline and oil	30,000	30,000	36,917	(6,917)
Sundry	-	-	324	(324)
Total Police Department	395,250	461,750	452,333	9,417
Drug Investigation and Control				
Special Funds	-	-	11,501	(11,501)
	\$ -	\$ -	\$ 11,501	\$ (11,501)

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance--Budget and Actual
For the fiscal year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive/ Negative
EXPENDITURES - CONTINUED				
Fire Department				
Salaries	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Volunteer fireman salaries	12,000	12,000	3,904	8,096
Electricity	1,500	1,500	1,305	195
Gas	1,000	1,000	705	295
Telephone	2,000	2,000	-	2,000
Other professional services	-	-	1,415	(1,415)
Repair and maintenance service	5,000	5,000	885	4,115
Operating supplies	5,000	5,000	2,921	2,079
Gasoline and oil	3,000	3,000	1,914	1,086
Sundry	100	100	-	100
Total Fire Department	41,600	41,600	25,049	16,551
Total Public Safety	436,850	503,350	488,883	14,467
Public Works				
Highways, Streets and Roadways				
Salaries	120,750	120,750	112,977	7,773
Electricity	6,000	6,000	5,286	714
Street lighting	40,000	41,442	31,039	10,403
Gas	4,000	4,000	1,295	2,705
Telephone	5,000	5,000	1,981	3,019
Professional services	2,500	2,500	360	2,140
Repair and maintenance	15,000	15,000	37,069	(22,069)
Supplies	50,000	50,000	34,067	15,933
Gasoline	6,500	6,500	3,345	3,155
Total Highways, Streets and Roadways	249,750	251,192	227,419	23,773
Cemeteries				
Personnel service	250	250	-	250
Professional services	-	-	350	(350)
Repairs and maintenance	-	16,350	18,200	(1,850)
Supplies	750	750	345	405
Total Cemeteries	\$ 1,000	\$ 17,350	\$ 18,895	\$ (1,545)

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance--Budget and Actual
For the fiscal year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive/ Negative
EXPENDITURES - CONTINUED				
Public Works - continued				
Other Public Works				
Operating Supplies	\$ -	\$ -	\$ 65	\$ (65)
Chemicals and Laboratory	-	-	1,010	(1,010)
Total Other Public Works	-	-	1,075	(1,075)
Total Public Works	250,750	268,542	247,389	21,153
Culture and Recreation				
Parks				
Salaries	2,500	2,500	-	2,500
Electric	1,500	1,500	2,262	(762)
Supplies	2,500	2,500	95	2,405
Repair and maintenance	2,500	2,500	82	2,418
Total Parks	9,000	9,000	2,439	6,561
Library				
Salaries	39,655	43,155	46,133	(2,978)
Education and training	300	300	46	254
Electricity	3,500	3,500	3,333	167
Gas	2,000	2,000	1,519	481
Telephone	3,000	3,000	2,064	936
Supplies	3,500	3,500	5,794	(2,294)
Other repairs and maintenance	-	-	225	(225)
Total Library	51,955	55,455	59,114	(3,659)
Total Culture and Recreation	60,955	64,455	61,553	2,902
Community Development				
Housing grant	-	-	201,025	(201,025)
Total Community Development	-	-	201,025	(201,025)
Capital Outlay				
General government	2,000	2,000	5,176	(3,176)
Police department	2,500	2,500	27,473	(24,973)
Fire department	500	500	4,400	(3,900)
Public property	8,000	8,000	11,103	(3,103)
Parks	3,500	3,500	8,893	(5,393)
Library	5,500	5,500	1,200	4,300
Total Capital Outlay	\$ 22,000	\$ 22,000	\$ 58,245	\$ (36,245)

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance--Budget and Actual
For the fiscal year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive/ Negative
EXPENDITURES - CONTINUED				
Debt Service				
Retirement of mortgage notes	\$ 40,000	\$ 40,000	\$ 32,878	\$ 7,122
Total Debt Service	<u>40,000</u>	<u>40,000</u>	<u>32,878</u>	<u>7,122</u>
Total Expenditures	<u>1,233,105</u>	<u>1,324,647</u>	<u>1,482,254</u>	<u>(157,607)</u>
EXCESS (DEFICIENCIES) OF				
REVENUES OVER EXPENDITURES	<u>(99,815)</u>	<u>(191,357)</u>	<u>(149,252)</u>	<u>42,105</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	39,185	39,185
Transfers in	-	-	6,881	6,881
Transfers out	<u>(7,500)</u>	<u>(7,500)</u>	<u>-</u>	<u>7,500</u>
Total Other Financing Sources (Uses)	<u>(7,500)</u>	<u>(7,500)</u>	<u>46,066</u>	<u>53,566</u>
REVENUES AND OTHER FINANCING				
SOURCES OVER (UNDER)				
EXPENDITURES AND OTHER USES	<u>(107,315)</u>	<u>(198,857)</u>	<u>(103,186)</u>	<u>95,671</u>
Fund balance--beginning	<u>775,991</u>	<u>775,991</u>	<u>775,991</u>	<u>-</u>
Fund balance--ending	<u>\$ 668,676</u>	<u>\$ 577,134</u>	<u>\$ 672,805</u>	<u>\$ 95,671</u>

The accompanying notes are an integral part of these statements.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Whiteville, Tennessee (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units, hereinafter referred to as generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant of the Town's accounting policies are described below.

a. Reporting Entity

The Town is a municipal corporation governed by an elected Mayor and six-member board. As required by generally accepted accounting principles, these financial statements present the Town (the primary government) and its component unit, entities for which the government is considered to be financially accountable.

Component units are organizations for which the Town is financially accountable and all other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the Town appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Town. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government.

Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Blended Component Unit

The Industrial Development Board, the Planning Committee Board, the Library Board, and the Cemetery Board meet the criteria listed for inclusion as a component unit. However, these boards do not have any financial activity; therefore, there are no separate financial statements for these component units. Any assets, liabilities, revenues, or expenses of these boards are paid by the Town and are blended in the Town's financial statements. The Industrial Development Board is 100 percent appointed by the Town Board and provides industrial planning for the Town. The Planning Committee Board is 100 percent appointed by the Town Board and provides planning commission services to the Town. The Library Board is 100 percent appointed by the Town Board and provides library oversight services to the Town. The Cemetery Board is 100 percent appointed by the Town Board and provides cemetery oversight and recommendations.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

b. Fund Accounting

The accounts of the Town are organized and operated using funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Funds are classified into the following categories: governmental, proprietary and fiduciary.

Governmental funds are used to account for all or most of a Town's general activities, including the collection and disbursement of earmarked monies (special revenue funds), accounting for financial resources to be used for the acquisition or construction of major capital facilities (capital project funds), and to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's program (permanent funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities for which a fee is charged to external or internal users for goods or services. Their reporting focuses on the determination of operating income and changes in net assets. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the Town (internal service funds). The Town considers all revenues and expenses derived from the performance of the fund's function (water, sewer, sanitation), or paid to provide the function to be operating revenues and expenses. Everything else is considered nonoperating.

Fiduciary funds are used to account for assets held in a trustee or agency capacity for others and; therefore, cannot be used to support the Town's own programs.

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. The effect of material interfund activity has been eliminated from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

c. Government-Wide and Fund Financial Statements - continued

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and standard revenues 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 instead as general revenues. All revenues and expenses not meeting this definition are reported as nonoperating 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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary 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.

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Industrial Development Board, the Planning Committee Board, the Library Board, and the Cemetery Board transactions are blended into the general fund because all expenditures thereof are provided by the general fund.

Additionally, the nonmajor governmental funds include the following:

The drug special revenue fund is used to account for drug awareness and drug enforcement collections and disbursements.

The cemetery perpetual care permanent fund is used to account for collections and disbursements set aside for which income is to be used for cemetery maintenance.

The Town reports the following major proprietary funds:

The water and sewer fund accounts for the activities of the water and sewerage operations. The Town operates the sewerage treatment plant, sewerage pumping stations and collection systems and the water distribution system.

Additionally, the nonmajor proprietary fund types include the following:

The sanitation fund accounts for the activities of the collection and disposal of garbage.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

c. Government-Wide and Fund Financial Statements - continued

The Town reports the following fiduciary funds:

The Leola Roberts Building Perpetual Care Fund provides funds to a local club for maintenance of the Leola Roberts building.

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 and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). 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. The Town 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 fund liability is incurred; however, debt service expenditures are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and are 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 Town.

The Town reports deferred revenue on its governmental fund financial statements. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

e. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted at the department level for the governmental and proprietary funds. The annual appropriated budget is legally enacted and provides for a legal level of control at the department level. All annual appropriations lapse at fiscal year end.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

f. Cash and Investments

For purposes of the statement of cash flows, the Town's proprietary fund types consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments consist of certificates of deposit and are stated at cost which approximates fair value.

g. 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 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".

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.

Governmental fund accounts receivable consist of property taxes, interest, beer taxes due and other receivables. Governmental fund other receivables include franchise fees and other miscellaneous receivables.

h. Inventories

Inventories of office materials and water and sewer supplies were deemed to be immaterial and were not inventoried or reflected in the Town's records.

i. Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses for the government-wide and enterprise fund financial statements. Payments made to vendors for services that will benefit periods beyond the date of this report are recognized in the period of acquisition for governmental fund statements.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

j. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items acquired after June 30, 2001), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town has elected not to report infrastructure acquired prior to implementation of GASB 34. Capital assets are defined by the Town as all land, and building additions, and assets with an initial, individual cost of \$5,000 or more for infrastructure, improvements other than buildings, and equipment (amounts not rounded) and an estimated useful life of over one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements other than buildings	20
Infrastructure	20
Water and sewer system	40-50
Machinery and equipment	3-20

k. Capitalization of Interest

In conformity with Financial Accounting Standards Board Statement No. 34, Capitalization of Interest Cost, the Town capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. Total interest, fiscal charges and amortization of loan discount and deferred amount of refunding incurred in the enterprise funds was \$13,405. Interest costs, fiscal charges and amortization of loan discount and deferred amount of refunding of \$13,405 were charged to expense. Interest costs of \$0, net of interest earned, were capitalized as fixed assets in the enterprise funds.

l. Compensated Absences

It is the Town's policy to permit employees to accumulate a limited amount of earned, but unused vacation leave, which will be paid to employees upon separation from Town services.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

I. Compensated Absences - continued

The Town accrues a liability for compensated absences which meet the following criteria:

1. The Town's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

As of June 30, 2011, the liability for accrued vacation leave is approximately \$21,342. The amount applicable to the enterprise fund of \$5,124 and general fund of \$0 has been recorded in these funds, the amount applicable to other funds of \$16,218 has been recorded in the government-wide statements.

In accordance with the provisions of Government Accounting Standards Board Statement No.16, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

m. Long-Term Obligations

The Town has issued debt under the Tennessee Code. This code provides for the prompt payment of notes or certificates of indebtedness at maturity, both principal and interest. The full faith credit and resources of the Town are pledged for these notes. If the Town does not have available funds in an amount sufficient to provide for the payment of principal and interest according to the terms of such notes or certificates of indebtedness, then the Town is required to annually levy a special tax upon all of its taxable property at a rate, the avails of which will be sufficient to provide such payments. Funds derived from any such tax shall be paid into a sinking fund and used exclusively for the payment of principal and interest on the notes or certificates of indebtedness.

The Town has not, and does not expect to be, required to levy such tax.

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 financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. There were no bond premiums, discounts, or issuance cost on the bonds outstanding at June 30, 2011.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

m. Long-Term Obligations - continued

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

n. Fund Equity/Net Assets

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

Nonspendable fund balance. This classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Alderpersons, the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board of Alderpersons removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the Town's "intent" to be used for a specific purpose, but are neither restricted nor committed. The Board of Alderpersons and Mayor have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

n. Fund Equity/Net Assets - continued

The constraints on fund balances as listed in aggregate in the Statement of Revenues, Expenditures, and Changes in Fund Balance are detailed according to balance classification and fund.

Fund Balances:	<u>General Fund</u>	<u>Other Governmental Funds</u>
Nonspendable:		
Cemetery perpetual care	\$ _____ -	\$ _____ 43,691
Total – Nonspendable:	<u>\$ _____ -</u>	<u>\$ _____ 43,691</u>
Restricted		
Drug awareness and enforcement	\$ _____ -	\$ _____ 100,830
Total – Restricted:	<u>\$ _____ -</u>	<u>\$ _____ 100,830</u>

When restricted, committed, assigned and unrestricted resources are available for use, it is the Town's policy to use externally restricted resources first, then committed, assigned, and unassigned in that order as needed.

o. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. As such, actual results could differ from those estimates.

p. Encumbrances

Encumbrance accounting, under which commitments for the expenditure of monies are disclosed to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. The Town's budget basis is GAAP; therefore, the appropriations lapse at year end, even if encumbered. The Town's governmental funds had no material encumbrances as of June 30, 2011.

q. Reclassifications

Certain reclassifications have been made to the prior year financial statements in order to conform to the current year presentation.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

2. PROPERTY TAX

Taxes are levied on January 1 and are due and payable October through February in the year succeeding the levy. Property taxes attach as an unperfected lien on property as of March 1. Taxes uncollected for one year past the due date are submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment.

Appraised values are established by Hardeman County, Tennessee at 100 percent of estimated market values. The Town is required to adopt county tax rolls. The 2010 taxes are collected in October, 2010 through February, 2011. The 2010 taxes are levied to fund the 2010-2011 budget year. The assessed value upon which the 2010 taxes were based was \$27,551,419.

Town property tax revenue is recorded in governmental funds as receivables and deferred revenues at the time the tax attaches as an enforceable lien which includes the 2011 taxes intended to fund the 2011-2012 budget year of \$211,948. Current year revenues recognized are those collected within the current period, or soon enough thereafter to pay current liabilities, generally within sixty days after year end. An allowance is provided for property taxes not expected to be collected in the future.

The 2011 taxes of \$210,358 (\$211,948 net of \$1,590 allowance for bad debts) are also included in deferred revenue and not in current revenues in governmental activities because they are levied to fund the 2011 - 2012 budget year.

The Town assessed a tax rate of 77. mills for the 2010 taxes and 77. mills for the 2011 taxes.

3. LEGAL COMPLIANCE AND ACCOUNTABILITY

Budgets

The budget committee submits an annual budget to the Board of Alderpersons in accordance with the Town charter and the State of Tennessee requirements. Prior to June 30, the Board of Alderpersons is required to adopt annual fiscal year appropriated budgets for specified Town funds. These include general and special revenue funds. Annually appropriated budgets are also approved for certain portions of proprietary fund operations including water and sewer and solid waste collection. Once approved, the Board of Alderpersons may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Tennessee law requires the Town to adopt a municipal budget on a basis consistent with U.S. generally accepted accounting principles; therefore, no reconciliation from budget basis to U.S. generally accepted accounting principles basis is required.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

3. LEGAL COMPLIANCE AND ACCOUNTABILITY - continued

Budgets - continued

In accordance with Government Accounting Standards Board Statement No. 34, the Town has presented the general fund budget comparison as part of the basic financial statements on Statement 9. The budgets shown on Statement 9 are the original and final adopted budgets. There were budgetary amendments approved by the Board of Alderpersons as follows:

General government financial administration accounting and audit	\$ 3,750
Public safety police department salaries	58,800
Public safety police department education and training	2,500
Public safety police department electricity	200
Public safety police department repair and maintenance motor vehicles	5,000
Public works highways, streets and roadways street lighting	1,442
Public works cemeteries repair and maintenance	16,350
Public works library salaries	3,500

The Town is legally subject to the budgetary control requirements of its charter and the State of Tennessee. The Town follows the following procedures in establishing the budgetary comparison:

- A. Prior to June 1, the Mayor is required to submit to the Board of Alderpersons a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. Public hearings are conducted to obtain taxpayer comments.
- C. Prior to July 1, the budget is required to be legally enacted through passage of an ordinance.
- D. The budget must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
- E. The budget must be amended when necessary.
- F. Debt cannot be entered into unless permitted by law.
- G. Expenditures cannot exceed budget appropriations.
- H. Expenditures cannot be made unless authorized in the budget.
- I. Appropriations lapse at the end of each year.

The following is a list of the excess of expenditures over appropriations for individual funds not included in the general fund budgetary comparisons on Statement 9:

<u>Fund/Category</u>	<u>Amount</u>
Drug fund – Special investigative funds	\$ 395
Drug fund – capital outlays	49,206
Drug fund – debt service	5,721
Cemetary perpetual care fund – payments to general fund	413
Water and sewer – retirement	1,105
Water and sewer – unemployment	353
Water and sewer – training	783
Water and sewer – telephone	982

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

3. LEGAL COMPLIANCE AND ACCOUNTABILITY - continued

Budgets - continued

<u>Fund/Category</u>	<u>Amount</u>
Water and sewer – sundry	\$ 2,692
Water and sewer – office supplies	1,033
Water and sewer – operating supplies	8,668
Water and sewer – gas	1,678
Water and sewer – depreciation	16,300
Water and sewer – retirement of bank notes and capital leases	10,174
Water and sewer – bad debts	4,822
Water and sewer – difference in computer collections report and deposits	1,683

4. DEPOSITS AND INVESTMENTS

At June 30, 2011, the cash and investments included the following:

<u>Account Balances</u>		<u>Ownership of Funds</u>	
Petty cash/cash on hand	\$ 5,220	Governmental Funds	\$ 821,508
Demand deposits	1,098,676	Enterprise Funds	836,477
Certificates of deposit	<u>562,493</u>	Agency Funds	<u>8,404</u>
	<u>\$ 1,666,389</u>		<u>\$ 1,666,389</u>

The deposits of the Town are governed by State of Tennessee statutes which allow depositories to collateralize excess deposits above federal depository insurance coverage by one of two methods: 1) 105% of all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the Town's agency in the Town's name, or 2) the financial institution must be a member of the State of Tennessee Bank Collateral Pool. Under this method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered held by the Town's agent in the Town's name. The amount of the pledged collateral is based upon a method approved by the State of Tennessee. Depositories using the pooling method report to the State Treasurer the adequacy of the pledged collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the pooling method, the potential exists for under collateralization, and the risk may increase in periods of high cash flows. However, the State Treasurer for Tennessee enforces strict standards of financial stability for each depository that collateralizes under the State of Tennessee Bank Collateral Pool.

At June 30, 2011, the demand deposit and certificates of deposit held with various local financial institutions had carrying amounts totaling \$1,661,169 and bank balances totaling \$1,716,584 of which \$649,173 was covered by federal depository insurance, \$1,060,820 was covered by the State of Tennessee Bank Collateral Pool, \$0 was collateralized with securities held in the Town's name (category 1 collateral) and \$6,591 was on deposit with PayPal and was not collateralized.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

4. DEPOSITS AND INVESTMENTS - continued

The Town has designated Whiteville Bank which is now Regions Bank, as its official depository. However, the Town also uses CB&S Bank, Merchants & Planters Bank, Bank of Fayette County, BancorpSouth Bank and PayPal.

Investments

State of Tennessee statutes authorize the Town to invest in 1) short-term investments secured by FDIC in certificates of deposit, 2) short-term investments in treasury bills and treasury certificates, including security repurchase agreements at mutually agreeable interest rates for large sums available for very short-term investments, 3) short-term or long-term investments, which mature in two years or less, in TVA obligations, 4) long-term investments, which mature in two years or less, in housing authority bonds and in State, County, and Town bonds, and 5) deposits in the Tennessee Local Government Investment Pool.

Investments are stated at cost. At June 30, 2011, the Town investments consisted of certificates of deposit totaling \$562,493 with an average original maturity date of 1 year. There is no material difference in cost and market value of the certificates of deposit.

Interest Rate Risk

State law limits investments to maturities of two years or less. The Town has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Town limited its investments during the year to federal depository insured certificates of deposit with Merchants & Planters Bank, Regions Bank, CB&S Bank, Bank of Fayette County and BancorpSouth Bank. These banks allow the Town to cash out the certificates of deposit prior to maturity with a 90-180 day loss of interest.

Credit Risk

State law limits investments to 1) financial institutions insured by FDIC that are members of the State of Tennessee Bank Collateral Pool or that provide pledged collateral held by the Town's agent in the Town's name, 2) TVA obligations with a maturity of two years or less, 3) housing authority bonds and State, County, and Town bonds which mature in two years or less and 4) deposits in the Tennessee Local Government Investment Pool. The Town has no investment policy that would limit its investment choices.

The Town purchases certificates of deposit with the following financial institutions with the following ratings by Standard & Poor's: Regions Bank (BB+), by Moody's BancorpSouth Bank (Baa1), Merchants & Planters Bank (not rated), CB&S Bank (not rated) and Bank of Fayette County (not rated).

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

4. DEPOSITS AND INVESTMENTS - continued

Custodial Credit Risks

Custodial credit risk is the risk that the Town will not be able to recover the value of its investments that are in the possession of its safekeeping custodian. To minimize this risk, the Town's investment policy requires that all negotiable instruments shall be held in safekeeping in the trust department of a bank. The Town's pledged collateral is held in the Town's name by a safekeeping agent that is independent of all counterparties.

Concentration of Credit Risks

The Town of Whiteville, Tennessee had investments in certificates of deposit at June 30, 2011 with more than 5% of the total in Merchants & Planters Bank, Regions Bank, Bank of Fayette County and BancorpSouth Bank. These investments represented 31%, 35%, 18%, and 16% respectively of total investments in certificates of deposit.

5. RECEIVABLES

Receivables at June 30, 2011 for the government's individual major funds and nonmajor funds, business-type funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectable accounts, consist of the following. It is at least reasonably possible that the Town's estimate of the allowance for doubtful accounts could change in the near-term.

	General	Other Government al Funds	Water and Sewer System	Fiduciary	Total
Receivables:					
Taxes					
Property	\$ 237,021	\$ -	\$ -	\$ -	\$ 237,021
Beer	8,065	-	-	-	8,065
Accounts	-	-	77,231	-	77,231
Interest	1,034	307	519	2	1,862
Other					-
Police fines	155,508	-	-	-	155,508
Other	29,984	-	-	-	29,984
Gross receivables	431,612	307	77,750	2	509,671
Less: Allowance for uncollectables	(121,526)	-	(3,311)	-	(124,837)
Net receivables	\$ 310,086	\$ 307	\$ 74,439	\$ 2	\$ 384,834

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

6. CAPITAL ASSETS

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

	Balance June 30, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated:					
Land	\$ 231,813	\$ -	\$ (25,407)	\$ -	\$ 206,406
Total capital assets not being depreciated	<u>231,813</u>	<u>-</u>	<u>(25,407)</u>	<u>-</u>	<u>206,406</u>
Capital assets being depreciated:					
Building and improvements	669,143	-	-	-	669,143
Automotive and equipment	1,014,605	62,229	-	-	1,076,834
Infrastructure	244,713	-	-	-	244,713
Total capital assets being depreciated, net	<u>\$ 1,928,461</u>	<u>\$ 62,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,990,690</u>
Less accumulated depreciation for:					
Buildings and improvements	\$ 174,420	\$ 13,323	\$ -	\$ -	\$ 187,743
Automotive and equipment	716,379	59,839	-	-	776,218
Infrastructure	47,791	8,565	-	-	56,356
Total accumulated depreciation	<u>938,590</u>	<u>81,727</u>	<u>-</u>	<u>-</u>	<u>1,020,317</u>
Total capital assets being depreciated, net	<u>989,871</u>	<u>(19,498)</u>	<u>-</u>	<u>-</u>	<u>970,373</u>
CAPITAL ASSETS, NET	<u>\$ 1,221,684</u>	<u>\$ (19,498)</u>	<u>\$ (25,407)</u>	<u>\$ -</u>	<u>\$ 1,176,779</u>
	Balance June 30, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
BUSINESS TYPE ACTIVITIES					
Capital assets not being depreciated:					
Land	\$ 54,299	\$ -	\$ -	\$ -	\$ 54,299
Total capital assets not being depreciated	<u>54,299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,299</u>
Capital assets being depreciated:					
Buildings and improvements	6,312	-	-	-	6,312
Automotive and equipment	91,589	-	-	-	91,589
Water and sewer system	5,942,147	-	-	-	5,942,147
Total capital assets being depreciated	<u>\$ 6,040,048</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,040,048</u>

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

6. CAPITAL ASSETS - continued

Less accumulated depreciation for:					
Buildings and improvements	\$ 3,081	\$ 158	\$ -	\$ -	\$ 3,239
Automotive and equipment	65,221	4,792	-	-	70,013
Water and sewer system	<u>2,175,484</u>	<u>139,350</u>	<u>-</u>	<u>-</u>	<u>2,314,834</u>
Total accumulated depreciation	<u>2,243,786</u>	<u>144,300</u>	<u>-</u>	<u>-</u>	<u>2,388,086</u>
Total capital assets being depreciated, net	<u>(2,243,786)</u>	<u>(144,300)</u>	<u>-</u>	<u>-</u>	<u>(2,388,086)</u>
BUSINESS-TYPE ACTIVITIES					
CAPITAL ASSETS, NET	<u>\$ 3,850,561</u>	<u>\$ (144,300)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,706,261</u>

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

GOVERNMENTAL ACTIVITIES		
General Government		\$ 10,220
Public Safety		46,326
Public Works		22,662
Culture and Recreation		<u>2,519</u>
TOTAL DEPRECIATION EXPENSE---GOVERNMENTAL ACTIVITIES		<u>\$ 81,727</u>
BUSINESS-TYPE ACTIVITIES		
Water and Sewer		<u>\$ 144,300</u>
TOTAL DEPRECIATION EXPENSE---BUSINESS-TYPE ACTIVITIES		<u>\$ 144,300</u>

7. LONG-TERM DEBT

GOVERNMENTAL ACTIVITIES

General obligation debt consists of debt issued that is backed by the full faith and credit of the Town. The lease obligations are collateralized by the assets listed below:

	Final Maturity Date	Interest Rate	Beginning Balance 7-01-2010	Additions	Repayments	Ending Balance 06/30/2011	Amounts Due Within One Year
General obligation							
Merchants & Planters Bank Industrial Development park land	3/15/2014	3.25%*	\$ 128,243	\$ -	\$ 28,112	\$ 100,131	\$ 28,122
Total general obligation			<u>128,243</u>	<u>-</u>	<u>28,112</u>	<u>100,131</u>	<u>28,122</u>
Lease obligation payable							
Ford Motor Credit Corporation 2011 Chevrolet Tahoe	10/15/2014	6.25%	-	30,395	4,688	25,707	7,159
Total lease obligation payable			<u>-</u>	<u>30,395</u>	<u>4,688</u>	<u>25,707</u>	<u>7,159</u>
Compensated absences			<u>10,168</u>	<u>6,050</u>	<u>-</u>	<u>16,218</u>	<u>-</u>
			<u>\$ 138,411</u>	<u>\$ 36,445</u>	<u>\$ 32,800</u>	<u>\$ 142,056</u>	<u>\$ 35,281</u>

*This note has a variable interest rate based on Wall Street Journal prime not to exceed 8%.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

7. LONG-TERM DEBT - continued

GOVERNMENTAL ACTIVITIES - continued

Annual debt service requirements to maturity for bonds and capital leases for governmental activities are as follows:

Years Ending June 30	Capital Leases			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 7,159	\$ 1,404	\$ 8,563	\$ 28,122	\$ 4,756	\$ 32,878
2013	7,620	943	8,563	29,458	3,420	32,878
2014	8,110	453	8,563	30,857	2,021	32,878
2015	2,818	38	2,856	11,695	556	12,251
2016	-	-	-	-	-	-
Total	<u>\$ 25,707</u>	<u>\$ 2,838</u>	<u>\$ 28,545</u>	<u>\$ 100,132</u>	<u>\$ 10,753</u>	<u>\$ 110,885</u>

The ordinance authorizing the issuance of general obligation bonds creates an interest and sinking fund (General Debt Service Fund). If funds are not available from other sources, the ordinances require the Town to ascertain a rate and amount of ad valorem tax which will be sufficient to pay interest as it comes due. The Town does not levy taxes for debt service. All governmental debt is paid by the general fund.

Specific years for payment of compensated absences are not determinable and are not included in the table above.

BUSINESS-TYPE ACTIVITIES

Revenue bonds consist of debt issued by the water and sewer system. Revenue bonds are collateralized by revenues derived from the water and sewer system. The gross revenues of the water and sewer system, after deduction of reasonable expenses of operations and maintenance, are pledged to such funds in amounts equal to the total annual principal and interest requirements of the bonds and amounts required to maintain the reserve funds. If these revenues are insufficient to retire these bonds, the full faith and credit of the government is also pledged to the bonds labeled general obligation.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

7. LONG-TERM DEBT - continued

BUSINESS-TYPE ACTIVITIES - continued

	Final Maturity Date	Interest Rate	Beginning Balance 7/1/2010	Additions	Repayments	Ending Balance 6/30/2011	Amounts Due Within One Year
Revenue bonds							
Series 1981 Farmers Home Administration	1/1/2021	5.00%	\$ 175,000	\$ -	\$ 10,000	\$ 165,000	\$ 15,000
Revenue and general obligation bonds Series 2004 Water and Sewer Revenue and Tax Bond	6/25/2042	4.375%	118,627	-	1,769	116,858	1,848
Compensated absences			<u>3,357</u>	<u>1,767</u>	<u>-</u>	<u>5,124</u>	<u>-</u>
			<u>\$ 296,984</u>	<u>\$ 1,767</u>	<u>\$ 11,769</u>	<u>\$ 286,982</u>	<u>\$ 16,848</u>

Annual debt service requirements to maturity for bonds for business-type activities are as follows:

Years Ending June 30	Bonds and Notes		
	Principal	Interest	Total
2011	\$ 16,848	\$ 13,326	\$ 30,174
2012	16,931	12,493	29,424
2013	17,017	11,657	28,674
2014	17,107	10,817	27,924
2015	17,201	9,973	27,174
2016-2020	27,570	26,550	54,120
2021-2025	30,637	22,733	53,370
2026-2030	39,453	18,167	57,620
2031-2035	44,199	12,421	56,620
2036-2041	50,105	5,516	55,621
2041-2045	<u>4,790</u>	<u>83</u>	<u>4,873</u>
Total	<u>\$ 281,858</u>	<u>\$ 143,736</u>	<u>\$ 425,594</u>

Specific years for payment of compensated absences are not determinable and are not included in the table above. All enterprise fund debt is paid by the fund incurring the debt.

Tennessee law does not limit the amount of debt the Town can issue; however, the State of Tennessee requires the Town obtain approval to issue debt other than debt issued by referendum.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

7. LONG-TERM DEBT - continued

BUSINESS-TYPE ACTIVITIES - continued

The ordinances authorizing the issuance of water and sewer system revenue bonds created the debt service reserve and the repair and extension fund reserve. The gross revenues of the water and sewer system, after deduction of reasonable expenses of operations and maintenance, are pledged to such funds in amounts equal to the total annual principal and interest requirements of the bonds and amounts required to maintain the reserve funds.

8. COMPONENTS OF RESTRICTED ASSETS

Enterprise Funds

June 30, 2011

Debt service reserve fund	\$ 18,586
Combined debt service reserve and repair and extension fund	<u>75,000</u>
	<u>\$ 93,586</u>

The ordinances authorizing the water and sewer system revenue bonds requires that the Town establish the above revenue bond reserve. At June 30, 2011 the revenue bond reserve accounts were sufficient to satisfy such bond ordinance requirements.

9. DEFINED BENEFIT PENSION PLAN

Plan Description

Employees of the Town of Whiteville, Tennessee are members of the Political Subdivision Pension Plan (PSP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits, as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions, such as the Town of Whiteville, Tennessee, participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

9. DEFINED BENEFIT PENSION PLAN – continued

Plan Description - continued

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

The Town of Whiteville, Tennessee requires employees to contribute 5.0 percent of earnable compensation.

The Town of Whiteville, Tennessee is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011 was 6.54% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Town of Whiteville, Tennessee is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2011, the Town of Whiteville, Tennessee's annual pension cost of \$46,806 to TCRS was equal to the Town of Whiteville, Tennessee's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The Town of Whiteville, Tennessee's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 10 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 46,806	100.00%	\$ -
June 30, 2010	\$ 37,517	100.00%	\$ -
June 30, 2009	\$ 40,328	100.00%	\$ -

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

9. DEFINED BENEFIT PENSION PLAN – continued

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 72.52% funded. The actuarial accrued liability for benefits was \$0.9 million, and the actuarial value of assets was \$0.6 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.6 million, and the ratio of the UAAL to the covered payroll was 41.71%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$620	\$855	\$235	72.52%	\$564	41.71%
July 1, 2007	\$520	\$738	\$218	70.46%	\$589	37.01%

The Town's employees also sheltered \$14,752 under a section 125 cafeteria plan.

10. INTERFUND TRANSACTION

A summary of interfund receivables and payables at June 30, 2011 is as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Fund – General Fund	\$ 2,546	\$ 75,380
Nonmajor – Other Governmental Funds – Drug Fund	-	2,546
Nonmajor – Other Governmental Funds – Cemetery Perpetual Care	2,550	-
Nonmajor Enterprise Fund – Sanitation Fund	17,276	-
Major Enterprise Fund – Water and Sewer Fund	<u>55,659</u>	<u>105</u>
	<u>\$ 78,031</u>	<u>\$ 78,031</u>

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

10. INTERFUND TRANSACTION - continued

<u>Fund</u>	<u>Interfund Transfers in</u>	<u>Interfund Transfers out</u>
Major Governmental Fund – General Fund	\$ 6,881	\$ -
Nonmajor Enterprise Fund – Sanitation Fund	<u>-</u>	<u>6,881</u>
	<u>\$ 6,881</u>	<u>\$ 6,881</u>

The Major Governmental Fund – General Fund receivable of \$2,546 represents \$2,546 due from the Other Governmental Fund – Drug Fund for expenses paid out of the wrong account. These receivables and payables are expected to be settled prior to June 30, 2012.

The Major Governmental Fund – General Fund payables of \$75,380 represents \$17,171 due to Nonmajor Enterprise Funds - Sanitation Fund for funds received not used to pay for garbage fees as of June 30, 2011 and \$2,550 due to Other Governmental Funds – Cemetery Perpetual Care Fund for cemetery perpetual care collections not remitted to the cemetery perpetual care fund as of June 30, 2011. \$55,659 was due to the Major N960 Enterprise Fund - Water and Sewer Funds for reimbursements paid twice as of June 30, 2011. These receivables and payables are expected to be settled prior to June 30, 2012.

The Major Enterprise Fund – Water and Sewer Fund payables of \$105 represent \$105 due to the Nonmajor Enterprise Fund – Sanitation Fund for sanitation fees collected that had not been remitted prior to June 30, 2011.

There was a transfer of \$6,881 from the Nonmajor Enterprise Fund - Sanitation Fund to the Major Governmental Fund – General Fund resulting from excess funds created in the Nonmajor Enterprise Fund - Sanitation Fund for the year ended June 30, 2011.

The due to / due from category in the government-wide statement of activities of \$72,830 consists of the amount due to the Major Enterprise Fund – Water and Sewer Fund from the Major Governmental Fund – General Fund of \$55,659 consists of the amount due to the Nonmajor Enterprise Fund – Sanitation Fund from the Major Governmental Fund – General Fund of \$17,171.

11. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues include the following:

<u>Governmental Funds</u>	
Gasoline and motor fuel tax	\$ 126,021
Gasoline inspection fees	9,923
Income tax allocation	3,171
TVA and other payments in lieu of taxes	52,218
State beer tax allocation	2,421
In service training	4,200
State sales tax allocation	307,540
Library assistance – county	3,100
Home grant funds - federal	<u>199,234</u>
Total Governmental Funds	<u>\$ 707,828</u>

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

12. LEASES

Capital Lease

The Town has entered into various capital lease agreements for capital assets under which they will become the property of the Town when all terms of the lease agreement are met. The following schedules present the future minimum lease payments as of June 30, 2011.

Governmental Activities:

Minimum Payments Years June 30	FMCC Capital Lease 2011 Chevrolet Tahoe Police Car
2012	\$ 8,563
2013	8,563
2014	8,563
2015	<u>2,856</u>
	28,545
Less: amounts representing interest	<u>2,838</u>
Present value of minimum lease payments	<u>\$ 25,707</u>

See Note 7 for interest rates used to compute amounts representing interest and other information pertaining to capital lease transactions.

Capital assets and related accumulated amortization under capital leases are as follows:

	FMCC Capital Lease 2011 Chevrolet Tahoe Police Car
Capital asset discounted cost	\$ 30,395
Less: Accumulated amortization	<u>6,079</u>
Book value	<u>\$ 24,316</u>

Amortization of leased equipment under capital assets is included with depreciation.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

12. LEASES - continued

Operating Leases

The Town has the following operating leases: the library department copier lease requires payments of \$700 during the year ending June 30, 2011, and the Town Hall copier lease requires payments of \$1,620 during the years ending June 30, 2011, 2012, 2013, and 2014. The police department copier lease requires payments of \$1,836 during the years ending June 30, 2011, 2012, 2013, and 2014. The Town paid rent during the year ended June 30, 2011 of \$4,156.

13. NON COMPLIANCE WITH STATE LAW REVENUE BOND REQUIREMENTS AND GRANT REQUIREMENTS

The Town did not comply with all the requirements of the State Department of Audit or loan requirements as set forth in the Internal Control and Compliance Manual for Tennessee Municipalities. The results of our tests disclosed instances of noncompliance listed on the schedule of findings and responses on pages 81 to 102. The ultimate resolution of these findings cannot presently be determined. Accordingly, no provision for any liabilities, if any, that may result has been recognized in the accompanying financial statements.

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The individual enterprise funds have the following net working capital (current assets less current liabilities) at June 30, 2011:

Water and Sewer Fund	\$807,143
Sanitation Fund	105

The water and sewer fund is combined for both financial reporting and collateralizing debt with system revenues.

Enterprise funds operate in the Town of Whiteville, Tennessee geographic area. Their revenues are subject to the economic conditions of the Town of Whiteville, Tennessee. At June 30, 2011, the Town had extended credit to customers totaling \$73,920. These receivables are unsecured other than security deposits totaling \$39,913.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

15. COMMITMENTS, CONTINGENCIES, UNCERTAINTIES, AND SUBSEQUENT EVENTS

Litigation

The Town has entered into a lawsuit against the City of Bolivar, Tennessee in which the Town alleged that the City of Bolivar, Tennessee did not pay the correct amount of natural gas franchise fees and payment in lieu of taxes. The amount of any natural gas franchise fees or in lieu taxes due the Town, if any, is presently unknown; therefore, the accompanying financial statements do not reflect any receivables or payables as a result of this lawsuit.

The Town has been named in a lawsuit by the Freedom From Religion Foundation, Inc in which the Town is alleged to have 1) erected a Latin cross atop a water tower owned by the Town and 2) displayed Christmas wreaths, trees, and crosses in front of other public and private property. The specified amount of damages is \$1. The Tennessee Municipal League is providing defense in this litigation and the ultimate outcome is unknown; therefore, the accompanying financial statements do not reflect any receivables or payables as a result of this lawsuit.

Grant Audit

The Town receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal or state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Town's management, such disallowances, if any, will not be significant.

Other

The state gasoline taxes collected are comingled with general fund cash. The State of Tennessee requires state approval to comingle state street aid funds with general fund cash. As a requirement of the State of Tennessee approval, the Town is required to designate a portion of the general fund equity as reserved for state street aid fund. Due to the Town having expenditures each year for the street department that exceed the annual state gasoline tax collections, the Town has no reserve for state street aid funds at the end of the year.

Commitments

Effective October 1, 2011, the Town entered into a contract with CNP Waste Company. This contract expires September 30, 2016. This contract is for sanitation services at a fee of \$4,554 per month adjusted annually by a customer count and a 3% annual increase. This agreement will continue on 5 year increments unless terminated by either party with written notice at least 90 days prior to expiration of each 5 year term.

On July 1, 1998, the Town entered into a contract with Utility Service Co., Inc to provide professional services needed to maintain its 200,000 gallon water storage tank. This contract remains in effect until cancelled by notice prior to 120 days of anniversary date. The annual fee was adjusted in 2009 to \$7,592 and will be adjusted each third year thereafter to reflect the current cost of service, but will be limited to a maximum adjustment of 5% annually.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

15. COMMITMENTS, CONTINGENCIES, UNCERTAINTIES, AND SUBSEQUENT EVENTS
- continued

Commitments - continued

Subsequent to year end the Town was awarded a \$181,546 federal pumper/tanker grant requiring a local match of \$1,834. The Town has been awarded a \$389,657 federal housing grant with no local match. At June 30, 2011 the Town had earned \$199,234 of the grant, with remaining grant funds totaling \$190,423.

16. RELATED PARTY TRANSACTIONS

The Town purchased insurance net of refunds from Bass Insurance Company, TML Risk Management Pool and CNA (agent, Bass Insurance Company), (a company owned by Mayor James Bellár) totaling \$73,958 during the year ended June 30, 2011. The Town owed TML Risk Management Pool \$25,362 at June 30, 2011. Bass Insurance Company is the only insurance company inside the town limits of the Town of Whiteville, Tennessee. In accordance with 6-54-107 et al of the Tennessee Code, the Mayor normally declares his conflict of interest prior to authorization of the expenditure and does not vote for expense authorization; however, two declarations of conflict were not made.

17. ECONOMIC DEPENDENCE

The Town sells water and provides sewer services to Whiteville Corrections and Hardeman County Corrections which accounts for approximately 30% and 45% of proprietary fund water and sewer revenues and approximately 24% and 37% of proprietary fund water and sewer receivables. The Town receives property taxes from Whiteville Corrections which accounts for approximately 49% of general fund property tax revenue and 43% of property taxes receivable. If these customers ceased operating in the Whiteville, Tennessee area, the Town's revenues would substantially decrease.

18. RISK MANAGEMENT - CLAIMS AND JUDGMENTS

Significant losses including comprehensive general liability, automobile liability, automotive collision and comprehensive, law enforcement, errors and omissions, standard workmen's compensation, property, equipment, employee dishonesty, forgery or alteration, theft, disappearance, or destruction, computer fraud, surety bond and notary bond are covered by the Tennessee Municipal League Risk Pool or commercial insurance for all major programs.

The Town has had no significant reduction in insurance coverage during the year ended June 30, 2011. There have been no settlements in excess of insurance coverage during the current or prior three years.

The Town is a member of the TML Risk Management Pool. The Town pays insurance premiums based on experience ratios. The Town does not expect to incur any liability in excess of insurance coverage.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

19. INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT

Investments in capital assets, net of related debt in the net asset section of the accompanying statement of net assets for the government-wide financial statements consist of the following:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land and construction in progress	\$ 206,406	\$ 54,299
Other capital assets (net of accumulated depreciation)	970,373	3,651,962
Less accounts payable capital assets	(5,893)	-
Less bonds and notes payable and capital leases	<u>(125,838)</u>	<u>(281,858)</u>
 Investment in capital assets, net of related debt	 <u>\$1,045,048</u>	 <u>\$3,424,403</u>

20. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

During the year ended June 30, 2011 the Town adopted the following Governmental Accounting Standards Board (GASB) standards.

Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions issued in February 2009, and became effective for the fiscal year ended June 30, 2011. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The fund balances have been reclassified to comply with this statement.

Statement No. 59, Financial Instruments Omnibus issued in June 2010, and became effective for the fiscal year ended June 30, 2011. The objective of this statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this standard had no material effect on the Town's financial statements.

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

20. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS – continued

The Governmental Accounting Standards Board (GASB) has issued six statements not yet implemented by the Town. The statements which might impact the Town are as follows:

Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans issued in December 2009, and will become effective for the fiscal year ending June 30, 2012. The objective of this statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers).

Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements issued in November 2010, and will become effective for the fiscal year ending June 30, 2013. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this statement, a SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

Statement No. 61, The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No. 14 and No. 34 issued in November 2010, and will become effective for the fiscal year ending June 30, 2013. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements.

Statement No. 62, A Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements issued in December, 2010, and will become effective for the fiscal year ending June 30, 2013. The objective of this statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure

TOWN OF WHITEVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2011

20. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS – continued

Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position issued in June 2011, and will become effective for the fiscal year ending June 30, 2013. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions—An Amendment of GASB Statement No. 53 issued in June 2011, and will become effective for the fiscal year ending June 30, 2012. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

The Town's management has not yet determined the effect these statements will have on the Town's financial statements.

TOWN OF WHITEVILLE, TENNESSEE
Required Supplementary Information
Municipal Employees Pension Plan
June 30, 2011
(Dollar Amounts in Thousands)

1. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ 620	\$ 855	\$ 235	72.52%	\$ 564	41.71%
July 1, 2007	\$ 520	\$ 738	\$ 218	70.46%	\$ 589	37.01%

Notes to Required Supplementary Information

NOTE A. The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method went into effect during the year of the 2007 actuarial valuation, therefore, only the two most recent valuations are presented.

See accompanying notes to required supplementary information.

TOWN OF WHITEVILLE, TENNESSEE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

ASSETS	<u>Drug</u>	<u>Permanent Fund Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
Cash and cash equivalents	\$ 103,376	\$ -	\$ 103,376
Investments - certificates of deposit	-	41,141	41,141
Receivables (Net, where applicable of allowances for uncollectables)			
Interest	-	307	307
Due from other funds	-	2,550	2,550
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 103,376</u>	<u>\$ 43,998</u>	<u>\$ 147,374</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ 2,546	\$ -	\$ 2,546
Deferred revenues	-	307	307
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>2,546</u>	<u>307</u>	<u>2,853</u>
FUND BALANCES			
Nonspendable	-	43,691	43,691
Restricted	100,830	-	100,830
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>100,830</u>	<u>43,691</u>	<u>144,521</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 103,376</u>	<u>\$ 43,998</u>	<u>\$ 147,374</u>

TOWN OF WHITEVILLE, TENNESSEE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the fiscal year ended June 30, 2011

	<u>Drug</u>	<u>Permanent Fund Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Fines, forfeits, and penalties	\$ 33,818	\$ -	\$ 33,818
Investment income	36	413	449
Total Revenues	<u>33,854</u>	<u>413</u>	<u>34,267</u>
EXPENDITURES			
Current			
Public safety	395	-	395
Public works	-	413	413
Capital outlay	49,206	-	49,206
Debt service principal retirement	4,688	-	4,688
Debt service interest and fiscal charges	1,033	-	1,033
Total Expenditures	<u>55,322</u>	<u>413</u>	<u>55,735</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(21,468)</u>	<u>-</u>	<u>(21,468)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of capital leases	30,395	-	30,395
Total Other Financing Sources (Uses)	<u>30,395</u>	<u>-</u>	<u>30,395</u>
NET CHANGE IN FUND BALANCES	8,927	-	8,927
Fund balances--beginning	91,903	43,691	135,594
Fund balances--ending	<u>\$ 100,830</u>	<u>\$ 43,691</u>	<u>\$ 144,521</u>

TOWN OF WHITEVILLE, TENNESSEE
Schedule of General Long-Term Debt Principal and Interest
Requirement by Fiscal Year
June 30, 2011

Year Ended June 30	Merchants & Planters Industrial Park Note Series 2002		Ford Motor Credit Company Capital Lease 2011 Chevrolet Tahoe		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 28,122	\$ 4,756	\$ 7,159	\$ 1,404	\$ 35,281	\$ 6,160
2013	29,458	3,420	7,620	943	37,078	4,363
2014	30,857	2,021	8,110	453	38,967	2,474
2015	11,694	556	2,818	38	14,512	594
	<u>\$ 100,131</u>	<u>\$ 10,753</u>	<u>\$ 25,707</u>	<u>\$ 2,838</u>	<u>\$ 125,838</u>	<u>\$ 13,591</u>

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Long-Term Debt Principal and Interest Requirements by Fiscal Year
Water and Sewer Fund
June 30, 2011

Year Ended June 30	Farmers Home Administration Bond Series 1981		Water and Sewer Revenue and Tax Bond Series 2004		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 15,000	\$ 8,250	\$ 1,848	\$ 5,076	\$ 16,848	\$ 13,326
2013	15,000	7,500	1,931	4,993	16,931	12,493
2014	15,000	6,750	2,017	4,907	17,017	11,657
2015	15,000	6,000	2,107	4,817	17,107	10,817
2016	15,000	5,250	2,201	4,723	17,201	9,973
2017	15,000	4,500	2,299	4,625	17,299	9,125
2018	15,000	3,750	2,402	4,522	17,402	8,272
2019	20,000	3,000	2,509	4,415	22,509	7,415
2020	20,000	2,000	2,621	4,303	22,621	6,303
2021	20,000	1,000	2,738	4,185	22,738	5,185
2022	-	-	2,860	4,064	2,860	4,064
2023	-	-	2,988	3,936	2,988	3,936
2024	-	-	3,121	3,803	3,121	3,803
2025	-	-	3,261	3,663	3,261	3,663
2026	-	-	3,406	3,518	3,406	3,518
2027	-	-	3,558	3,366	3,558	3,366
2028	-	-	3,717	3,207	3,717	3,207
2029	-	-	3,883	3,041	3,883	3,041
2030	-	-	4,056	2,868	4,056	2,868
2031	-	-	4,238	2,686	4,238	2,686
2032	-	-	4,427	2,497	4,427	2,497
2033	-	-	4,624	2,300	4,624	2,300
2034	-	-	4,831	2,093	4,831	2,093
2035	-	-	5,046	1,878	5,046	1,878
2036	-	-	5,272	1,652	5,272	1,652
2037	-	-	5,507	1,417	5,507	1,417
2038	-	-	5,753	1,171	5,753	1,171
2039	-	-	6,010	914	6,010	914
2040	-	-	6,278	646	6,278	646
2041	-	-	6,558	366	6,558	366
2042	-	-	4,791	84	4,791	84
	<u>\$ 165,000</u>	<u>\$ 48,000</u>	<u>\$ 116,858</u>	<u>\$ 95,736</u>	<u>\$ 281,858</u>	<u>\$ 143,736</u>

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Interfund Transfers and Due to Other Funds
For the fiscal year ended June 30, 2011

INTERFUND TRANSFERS

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Sanitation Fund	\$ 6,881
		<u>\$ 6,881</u>
 <u>Due To</u>	 <u>Due From</u>	
Sanitation Fund	General Fund	\$ 17,171
Water and Sewer Fund	General Fund	55,659
General Fund	Drug Fund	2,546
Sanitation Fund	Water and Sewer Fund	105
Cemetery Perpetual Care Fund	General Fund	<u>2,550</u>
		<u>\$ 78,031</u>

Note: The due to / due from category in the government-wide financial statement of \$72,830 is \$55,659 due to the business -type activity - water and sewer from the governmental activities - general and \$17,171 due to the business -type activity - sanitation from the governmental activities - general.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Changes in Property Taxes Receivable
June 30, 2011

Tax Year	Property Tax Receivable Balance June 30, 2010	Property Taxes Levied	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Allowance for Uncollectibles	Net Receivable Balance June 30, 2011
2011	\$ -	\$ -	\$ 211,948	\$ -	\$ -	\$ (1,590)	\$ 210,358
2010	-	212,224	-	-	(196,432)	(1,579)	14,213
2009	21,811	-	-	-	(13,444)	(837)	7,530
2008	3,787	-	-	-	(3,587)	(20)	180
2007	56	-	-	-	-	(50)	6
2006	36	-	-	-	-	(32)	4
2005	37	-	-	-	-	(33)	4
2004	59	-	-	-	-	(53)	6
2003	357	-	-	-	-	(321)	36
2002	81	-	-	-	-	(73)	8
2001	88	-	-	-	-	(80)	8
2000	408	-	-	(408)	-	-	-
	<u>\$ 26,720</u>	<u>\$ 212,224</u>	<u>\$ 211,948</u>	<u>\$ (408)</u>	<u>\$ (213,463)</u>	<u>\$ (4,668)</u>	<u>\$ 232,353</u>

NOTES: All uncollected taxes for years prior to 2010 have been turned over to the Chancery Court of Hardeman County Clerk and Master for collection.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the fiscal year ended June 30, 2011

<u>Federal Grantor/ Pass-through Grantor</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending (Accrued) Deferred</u>
<u>Federal Awards</u>						
Direct Programs						
U.S. Department of Homeland Security Public Assistance Grant Program	97-036	Unknown	\$ -	\$ -	\$ 15,008	\$ (15,008)
Total U.S. Department of Homeland Security			-	-	15,008	(15,008)
Pass-through programs from State of Tennessee						
U.S. Department of Housing and Urban Development Pass-through programs from State of Tennessee Home Investment Partnership Program	14.236	HM-10-48	-	161,456	199,234	(37,778)
Total U.S. Department of Housing and Urban Development			-	161,456	199,234	(37,778)
Total Federal Awards			-	161,456	214,242	(52,786)
<u>State Financial Assistance</u>						
Community Enhancement Grant Funds	N/A	Unknown	29	-	-	29
Total State Financial Assistance			29	-	-	29
Total Federal and State Awards			\$ 29	\$ 161,456	\$ 214,242	\$ (52,757)

See accompanying notes to schedule of expenditures of federal awards and state financial assistance.

TOWN OF WHITEVILLE, TENNESSEE
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance
For the fiscal year ended June 30, 2011

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is a summary of the activity of the Town's federal and state grant programs presented on the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for enterprise funds in accordance with accounting principles generally accepted in the United States of America.

TOWN OF WHITEVILLE, TENNESSEE
Table of Utility Rates in Force and Number of Customers
June 30, 2011
(Unaudited)

Water Rates

First 2,000 gallons	\$8.00 (minimum bill)
Next 3,000 gallons	\$2.85 per 1,000 gallons
Next 5,000 gallons	\$2.40 per 1,000 gallons
Next 10,000 gallons	\$2.20 per 1,000 gallons
Next 30,000 gallons	\$1.85 per 1,000 gallons
Over 50,000 gallons	\$1.65 per 1,000 gallons

Sewer Rates

First 2,000 gallons	\$6.00 (minimum bill)
Over 2,000 gallons	\$1.50 per 1,000 gallons

Number of Customers at Year End

Water	589
Sewer	523
Garbage	519

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Unaccounted For Water
June 30, 2011
(Unaudited)

(All amounts in gallons)

A. Water Treated and Purchased:		
B. Water pumped (potable)	183,203,000	
C. Water purchased	0	
D. Total Water Treated and Purchased		183,203,000
	(Sum Lines B and C)	
E. Accounted for Water:		
F. Water sold	146,614,803	
G. Metered for consumption (in house usage)	0	
H. Fire department usage	0	
I. Flushing	0	
J. Tank cleaning/filling	0	
K. Street cleaning	0	
L. Bulk sales	0	
M. Water bill adjustments	0	
N. Total Accounted for Water		146,614,803
	(Sum Lines F thru M)	
O. Unaccounted for Water		36,588,197
	(Line D Minus Line N)	
P. Percent Unaccounted for Water		19.971%
	(Line O divided by Line D times 100)	

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.

TOWN OF WHITEVILLE, TENNESSEE
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year Ended June 30,</u>	<u>Residential Property</u>	<u>Industrial and Commercial Property</u>	<u>Farm and Agricultural Property</u>	<u>Public Utility Property</u>	<u>Less Tax Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate Per \$1,000</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
2002	\$ 5,555,700	\$ 15,692,079	\$ 187,400	\$ 857,385	Not available	\$ 22,292,564	\$ 7.800	\$ 65,634,140	\$ 33.96
2003	5,603,400	15,204,112	186,725	742,942	Not available	21,737,179	7.800	64,568,318	33.67
2004	5,628,450	14,960,777	188,400	601,721	Not available	21,379,348	9.200	63,342,729	33.75
2005	5,785,225	14,971,527	81,375	801,225	Not available	21,639,352	9.200	63,896,833	33.87
2006	5,890,925	14,863,355	81,350	846,815	Not available	21,682,445	9.200	64,559,556	33.59
2007	6,901,975	18,236,080	102,875	1,169,838	Not available	26,410,768	7.741	77,162,909	34.23
2008	6,922,700	18,471,261	102,525	1,205,802	Not available	26,702,288	7.741	77,957,871	34.25
2009	6,941,575	18,722,542	181,500	1,849,599	Not available	27,695,216	7.741	80,226,706	34.52
2010	6,983,750	18,902,781	180,925	1,483,963	Not available	27,551,419	7.700	80,493,429	34.23
2011	6,995,225	18,876,283	171,600	1,483,963	Not available	27,527,071	7.700	80,401,086	34.24

Source: Hardeman County, Tennessee Tax Assessor

Note: Property in Hardeman County is reassessed every six years on average. The County assesses property at approximately 55 percent on utility property, 40 percent on industrial and commercial property, and 25 percent for residential and agricultural. Estimated actual value was obtained from records provided by Hardeman County, Tennessee. The County assessment summary does not provide details of tax exempt property and is not available; therefore, the information presented above does not present all GASB 44 required items for a ten year period. The information marked not available could not be located by the Town. The property columns do not contain the assessed values for exempt properties. In accordance with GASB 44 available information has been presented.

TOWN OF WHITEVILLE, TENNESSEE
Table of Outstanding Delinquent Taxes Filed With Chancery Clerk
(Unaudited)
June 30, 2011

<u>Tax Year</u>	<u>Outstanding Balance</u>
2009	\$ 8,367
2008	200
2007	56
2006	36
2005	37
2004	59
2003	357
2002	81
2001	<u>88</u>
	<u>\$ 9,281</u>

TOWN OF WHITEVILLE, TENNESSEE
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures and Changes in
Fund Balance--Budget and Actual
For the fiscal year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive/ Negative
Drug Fund				
REVENUES				
Drug related fines - Town	\$ -	\$ -	\$ 26,548	\$ 26,548
Drug related fines - County	-	-	7,270	7,270
Interest	-	-	36	36
Total Revenues	-	-	33,854	33,854
EXPENDITURES				
Special investigative funds	-	-	395	(395)
Capital outlays	-	-	49,206	(49,206)
Debt service	-	-	5,721	(5,721)
Total Expenditures	-	-	55,322	(55,322)
EXCESS (DEFICIENCIES) OF REVENUES OVER EXPENDITURES	-	-	(21,468)	(21,468)
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	-	-	30,395	30,395
Total Other Financing Sources (Uses)	-	-	30,395	30,395
NET CHANGE IN FUND BALANCES	-	-	8,927	8,927
Fund balance--beginning	91,903	91,903	91,903	-
Fund balance--ending	\$ 91,903	\$ 91,903	\$ 100,830	\$ 8,927
Cemetery Perpetual Care Fund				
REVENUES				
Interest	\$ -	\$ -	\$ 413	\$ 413
Total Revenues	-	-	413	413
EXPENDITURES				
Payments to general fund for maintenance	-	-	413	(413)
Total Expenditures	-	-	413	(413)
EXCESS (DEFICIENCIES) OF REVENUES	-	-	-	-
Fund balance--beginning	43,691	43,691	43,691	-
Fund balance--ending	\$ 43,691	\$ 43,691	\$ 43,691	\$ -

JONES & JONES
CERTIFIED PUBLIC ACCOUNTANTS
OF BOONEVILLE PA

Kermit V Jones Jr., C.P.A.

Christopher D. Jones, C.P.A.

Jeremy D Jones, C.P.A.

David W. Jones, C.P.A.

**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**

To the Mayor and Board of Alderpersons
Town of Whiteville, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Whiteville, Tennessee as of and for the year ended June 30, 2011, which collectively comprise the Town of Whiteville, Tennessee's basic financial statements and have issued our report thereon dated January 30, 2012. The report on governmental activities was qualified because the Town does not maintain an annual inventory of capital assets and we were unable to form an opinion regarding the existence of and the amounts at which capital assets (net of accumulated depreciation) are recorded in the accompanying Statement 1 – Statement of Net Assets (governmental activities) at June 30, 2011 (stated at \$1,176,779) and the amounts at which the related depreciation expense (stated at \$81,727) is recorded in the accompanying Statement 2 – Statement of Activities (governmental activities). 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

In planning and performing our audit, we considered Town of Whiteville, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Whiteville, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Whiteville, Tennessee'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 described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

Internal Control Over Financial Reporting - continued

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. These findings and responses are labeled as items 26, 27, 30, 32, 34, 36, 37, and 38.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. These findings and responses are labeled as items 28, 29, 31, 33, 35 and 39.

Compliance and Other Matters

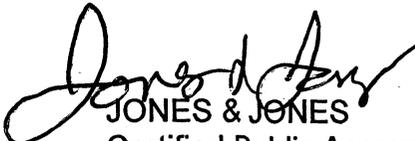
As part of obtaining reasonable assurance about whether Town of Whiteville, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, and 25.

We noted certain matters that we reported to management of Town of Whiteville, Tennessee in a separate letter dated January 30, 2012.

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

This report is intended solely for the information and use of management, Board of Alderpersons, the State of Tennessee Department of Audit, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely yours,



JONES & JONES
Certified Public Accountants
of Booneville, PA

January 30, 2012

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Instances of Noncompliance Material to the Financial Statements

Finding Number 1

Condition: A Town vehicle is being used for personal purposes.

Criteria: Town owned vehicles should not be used for personal purposes.

Effect: The volunteer fire chief, who is not a regular employee of the Town, has been provided a Town owned vehicle which is apparently being used as a personal vehicle, including driving back and forth to his non-Town job.

Cause: This vehicle was previously parked at the fire station and was used only when there was a fire. The volunteer fire chief requested he be allowed to drive this vehicle and was apparently given permission.

Recommendation: We recommend the Town stop allowing the volunteer fire chief to use this vehicle like a personal vehicle. The Town should obtain reimbursement for the personal use of this vehicle.

Response: We will discuss this matter with the Board of Alderpersons and our attorney and follow their recommendations.

Finding Number 2

Condition: The Town is not performing an annual inventory of governmental fund capital assets. Capital assets are not tagged for proper identification.

Criteria: Tennessee Department of Audit requires the Town to maintain detailed general fixed asset records. Annual inventories should be taken and compared to general fixed asset records. General fixed assets should be tagged for proper identification.

Effect: The Town did not take an annual governmental fund capital asset inventory. The Town's governmental fund capital assets are not identified with a tag or other identification method. This caused the auditors' opinion on the government-wide financial statements to be qualified.

Cause: The Town officials have not established the required fixed asset records.

Recommendation: The Town should inventory and permanently tag all Town general fixed assets. These general fixed assets should be valued at cost or estimated cost if donated or cost is not available. The Town should take an annual inventory and establish detailed general fixed asset records.

Response: We have a partial list of general fixed assets, but we have not established costs or estimated costs.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Instances of Noncompliance Material to the Financial Statements - continued

Finding Number 3

Condition: Financial information and claim approval is not being provided to the Board of Alderpersons.

Criteria: The Board of Alderpersons cannot meet the requirements of the Internal Control and Compliance Manual for Tennessee Municipalities if they are not provided with the Town's financial information.

Effect: The Board of Alderpersons is not provided monthly financial statements. The Board of Alderpersons does not receive a list of monthly and year to date expenditures compared to budget. The Board of Alderperson's minutes do not reflect claim approval prior to payment.

Cause: The Town has not been preparing monthly financial statements. The monthly claims are not being presented to the Board of Alderperson's for approval.

Recommendation: The Town should provide the Board of Alderpersons with monthly balance sheets and income statements compared to budget showing both monthly and year to date information. The Board should be provided with a list of all expenditures paid during the month for their review and approval. The Board of Alderpersons should review and approve all claims prior to payment. The Board of Alderpersons is ultimately responsible for all expenditures.

Response: We concur with the recommendation.

Finding Number 4

Condition: Expenditures exceeded budget.

Criteria: State law requires purchases to remain within budgeted amounts.

Effect: The Town had the following budget overruns:

General Fund

General Government

Legislative – payroll taxes	\$ 924
Legislative – unemployment insurance	2,444
Legislative – memberships registration	2,952
Legislative – other professional services	650
Judicial – operating supplies	574
Judicial – litigation fees	2,635
Elections – election costs	54
Financial administration – salaries	1,698
Financial administration – telephone	671
Financial administration – office supplies	5,672
Financial administration – sundry	1,582
General government buildings – salaries	510

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Instances of Noncompliance Material to the Financial Statements - continued

Finding Number 4 - continued

Effect: The Town had the following budget overruns - continued:

General Fund

General Government

General government buildings – repair and maintenance supplies	\$ 225
General government buildings – repair and maintenance	4,620
Public relations – public relations	19

Public Safety

Police – employee education and training	2,219
Police – electricity	167
Police – telephone	1,569
Police – medical	1,028
Police – repair and maintenance service	6,344
Police – other repairs and maintenance	1,456
Police – operating supplies	3,729
Police – uniforms	5,265
Police – gasoline and oil	6,917
Police – sundry	324
Fire – other professional services	1,415

Drug Investigation and Control

Special funds	11,501
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Public Works

Street – repair and maintenance	22,069
Cemeteries – professional services	350
Cemeteries – repair and maintenance	1,850
Other public works – operating supplies	65
Other public works – chemical and laboratory	1,010

Culture and Recreation

Parks – electricity	762
Library – salaries	2,978
Library – supplies	2,294
Library – other repairs and maintenance	225

Community development – housing construction

201,025

Capital Outlay – general government

3,176

Capital Outlay – police department

24,973

Capital Outlay – fire department

3,900

Capital Outlay – public property

3,103

Capital Outlay – parks

5,393

Drug Fund

Special investigative	395
Capital outlays	49,206
Debt service	5,721

Cemetery Perpetual Care Fund

Payments to general fund for maintenance	413
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TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Instances of Noncompliance Material to the Financial Statements - continued

Finding Number 4 – continued

Effect: The Town had the following budget overruns - continued:

Enterprise Fund – Water and Sewer	
Unemployment	\$ 353
Retirement	1,105
Training	783
Telephone	982
Difference in computer collection report and deposits	1,683
Sundry	2,692
Office supplies	1,033
Operating supplies	8,668
Gas	1,678
Depreciation	16,300
Retirement of bank notes and capital leases	10,174
Bad debts	4,822

Cause: The Town Recorder did not amend all categories of the budget presented to the Board of Alderpersons.

Recommendation: Budgets should be reviewed monthly and amendments made by the Board of Alderpersons when necessary.

Response: We concur with the recommendation.

Finding Number 5

Condition: Fidelity bonds are insufficient to meet Rural Development bond requirements.

Criteria: The Rural Development bond resolutions and conditions require the Town to provide a fidelity bond on the secretary and treasurer in an amount of at least the maximum amount of money the borrower will have on hand at any one time.

Effect: At June 30, 2011, the Town had fidelity bonds of \$500,000 on each occurrence. The funds and investments on hand at June 30, 2011 in the Water and Sewer System totaled \$836,477. The fidelity bond was \$336,477 under the minimum amount.

Cause: The Town did not increase its fidelity bond when funds increased.

Recommendation: The Town should either increase its fidelity bond coverage to the minimum amount required by Rural Development or obtain a waiver from Rural Development.

Response: We increased our employee dishonesty bond to \$500,000. This is all we could get.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Instances of Noncompliance Material to the Financial Statements - continued

Finding Number 6

Condition: The Town does not maintain records of the water used by the Town nor bill other departments for water and sewer used. The Town does not compare water pumped to water sold to determine lost water percentage.

Criteria: The Town is required to pay the water and sewer department for utilities used by each department. The Town should maintain records of water and sewer usage and monitor water loss monthly.

Effect: The water and sewer department does not maintain records of Town usage of water and sewer utilities. During the year ended June 30, 2011, the Town pumped 183,203,000 gallons of water but sold only 146,614,803 gallons. The lost gallons of water totaled 36,588,197 gallons or 19.97%.

Cause: The Town could not determine the cause for the water loss. Part of the cause is the Town did not maintain Town water usage.

Recommendation: We recommend the Town start metering all Town water usage and compare gallons pumped to gallons sold monthly and research unusual differences. Each department should pay the water and sewer department for utilities used.

Response: We concur with the recommendation.

Finding Number 7

Condition: Board approval and declaration of conflict of interest on related party insurance purchases were not always made.

Criteria: Tennessee Code 6-54-107 et al allows related party insurance purchases as long as there is no other source of these items within the Town's municipal limits and the related party declares his conflict of interest and does not vote on the purchase.

Effect: On February 25, 2011 the Town issued a check to TML Insurance for \$10,328 and on May 31, 2011 the Town issued a check to TML Insurance for \$17,218. The Town also made a payment to TML Insurance on January 6, 2011 that was \$36 more than the approved amount. Mayor James Bellar is the primary stockholder of Bass Insurance Company which is the agent for TML Insurance. Bass Insurance Company is the only insurance agent within the Town's municipal limits that sell this type of insurance. The Board of Alderperson's minutes did not reflect the approval of these disbursements or the Mayor's declaration of his conflict of interest for these disbursements.

Cause: This was an apparent oversight.

Recommendation: The Board of Alderperson's minutes should contain evidence of authorization to pay and the Mayor's declaration of his conflict of interest prior to purchase and payment.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Instances of Noncompliance Material to the Financial Statements - continued

Finding Number 7 - continued

Response: We concur with the recommendation.

Finding Number 8

Condition: Interfund due to/from other fund loans resulting from funds paid from the wrong account and funds not timely transferred were not approved by the Board of Alderpersons.

Criteria: The Board of Alderpersons should approve all interfund loans or transfers. Funds should be transferred to the appropriate account timely when collected for another fund or deposited to the wrong account.

Effect: At June 30, 2011 the Town water and sewer fund owed other funds \$105, the drug fund owed other funds \$2,546, and the general fund owed other funds \$75,380.

Cause: The water and sewer fund did not timely transfer the sanitation funds to the appropriate account. The drug fund received a transfer from the general fund in excess of the amount due. The general fund received a double reimbursement from the water and sewer fund and water and sewer fund revenues were deposited into the wrong account.

Recommendation: We recommend the Town immediately repay the interfund loans. All interfund loans and transfers should be approved by the Board of Alderpersons.

Response: We concur with the recommendation; some have already been repaid.

Finding Number 9

Condition: In our test of payroll expenses we noted employees were overpaid.

Criteria: Employees should not be paid while they are off for lunch. Employees should not be paid overtime unless required to by the wage and hour board or authorized by the Board of Alderpersons. Vacation or holiday time does not create overtime hours. Employees should be paid authorized pay rates. Time records should maintain time started and time ended.

Effect: On our test of 1 week's payroll, we noted two office employees worked only 7 hours per day, but were being paid for 8 hours per day. This amounted to a difference of \$118. We noted one employee was given an unexplained raise without approval by the Mayor or Board of Alderpersons. This amounted to a difference of \$153. We noted one employee had been paid overtime on sick leave. This amounted to a difference of \$24. We noted time records did not always indicate start and stop time. We noted one employee was on salary plus overtime and no time sheets were provided to document overtime paid. This amounted to \$343.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Instances of Noncompliance Material to the Financial Statements - continued

Finding Number 9 - continued

Cause: The Town was paying office employees for their lunch hour. The Town officials were not requiring employees to properly complete time records.

Recommendation: The Town should pay employees only for time actually worked. All employee raises and promotions should be authorized by the Board of Alderpersons. Management should consider requiring employees to punch a time clock and pay only for hours worked at the properly approved rate of pay. Management should obtain a refund for overpaid payroll.

Response: We will discuss this situation with the Mayor and Board of Alderpersons and follow their direction.

Finding Number 10

Condition: The Town provided reduced rent without Board of Alderperson's approval.

Criteria: The Town officials do not have authority to provide reduced rent without Board of Alderperson's authorization and justification.

Effect: The Town leases a building to a local church for \$100 per month which appears to be less than fair rental value.

Cause: The church has been renting the building for \$100 for some time.

Recommendation: The Town should determine a fair rental value for the church building. The Town should require the church to get utilities in the church's name.

Response: We will consult with the Board of Alderpersons on the church building.

Finding Number 11

Condition: Unclaimed meter deposits are not being turned over to unclaimed property.

Criteria: Once a water and sewer customer stops using these services, the Town is required to confiscate these meter deposits for nonpayment or refund these deposits. If the customer cannot be located, the deposit is required to be turned over to unclaimed property.

Effect: The Town had customers move away without receiving a meter deposit refund. These unclaimed meter deposits have not been turned over to unclaimed property during the year ended June 30, 2011.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Instances of Noncompliance Material to the Financial Statements - continued

Finding Number 11 - continued

Cause: Unclaimed meter deposits are not being turned over to unclaimed property.

Recommendation: We recommend the Town refund or confiscate unused meter deposits. If the Town cannot locate the former customers, the meter deposit should be turned over to unclaimed property. Since the Town is no longer charging a meter deposit, the Town might consider refunding all remaining meter deposits to avoid this situation in the future.

Response: We will determine the meter deposits requiring refund and either confiscate, refund or turn over to unclaimed property.

Finding Number 12

Condition: Payroll checks are given out before work is completed for the week.

Criteria: Payroll checks should not be given to employees prior to completing the work's week.

Effect: Payroll checks are given out on Friday at noon of each week for work done through the end of shift on Friday of each week.

Cause: Payroll checks are given out early in anticipation of work being done.

Recommendation: We recommend payroll checks not be given out until the work week has been completed.

Response: We will consult with the Board of Alderpersons and follow their recommendation.

Finding Number 13

Condition: Salaried employees are not being required to maintain time records. Compensated absence and sick pay time is not always being removed from records when a salaried employee did not work the full work week.

Criteria: All employees should maintain time records of hours worked. Compensated absences and sick pay should be applied to salaried people when they do not work all forty hours during a work week. Nonexempt salaried employees are required to be paid overtime if they work over 40 hours during a work week.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Instances of Noncompliance Material to the Financial Statements - continued

Finding Number 13 - continued

Effect: According to Town records, one salaried employee had 20 compensated absence days and June 30, 2010 and quit during the current year and was paid for 20 compensated absence days during the current year approximating \$3,628. These employees are not maintaining records of time worked; therefore, the use of compensated absences or sick pay days for time not worked cannot be determined. It appears that at least one of these salaried employees regularly takes off during the week, which should require the use of a compensated absence day. It also appears the salaried person who quit had taken off significant time that had not been credited against the compensated absences due.

Cause: The information to determine compensated absence use or potential overtime is not being turned in to the Town Recorder.

Recommendation: The Board of Alderpersons should require all full-time salaried employees maintain time records to document overtime and compensated absence and sick day use. Management should obtain refunds for the pay increase paid in error. Pay raises and promotions should only be given when the Board of Alderperson's have approved them.

Response: We will request all employees to turn in time records.

Finding Number 14

Condition: The Town has cash funds that are not collateralized in accordance with State laws.

Criteria: State laws require the Town to obtain Category 1 collateral for all deposits.

Effect: The Town had funds totaling \$6,591 at June 30, 2011 on deposit with PayPal. Funds varied through the year. PayPal deposits do not appear to be covered by FDIC insurance. The Town has no collateral pertaining to these deposits.

Cause: The Town uses PayPal to collect certain police fines and make certain online purchases.

Recommendation: The Town should determine if PayPal is covered by FDIC insurance. The Town should only have deposits with institutions covered with Category 1 collateral.

Response: We will determine if PayPal is covered by FDIC insurance. We will either keep funds on deposit with PayPal low or change to the State clearing fund.

Finding Number 15

Condition: The Town experienced a cash shortage.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Instances of Noncompliance Material to the Financial Statements - continued

Finding Number 15 - continued

Criteria: State laws prohibit the misuse of Town funds.

Effect: On July 19, 2011 the Town Recorder performed a cash count of an employee's cash drawer while the employee was off on vacation. This cash count indicated the cash drawer was short by \$40. The \$40 was repaid on July 25, 2011.

In our test of water and sewer revenue, the Town's computer collection records reflected \$1,683 more collections than the Town's general ledger reflected for the year ended June 30, 2011. In our test of senior citizen building rent revenue, the Town's receipt books reflected \$1,108 more collections than the Town's general ledger. In our test of property tax revenue, the Town's receipt books reflected \$1,868 more collections than the Town's general ledger. In our test of police fines collected, the Town's receipt books indicated the Town collected \$4,754 more than was expected. Most of the senior citizen collections were cash and we were not able to determine if police fine collections included senior citizen collections. The above differences netted to an overage of \$95.

Cause: The Town began using credit cards, and deposited all credit card receipts into the general fund and coded them as police fines. The Town Recorder tried to separate and reclassify the misposting. It is possible all mispostings were not corrected resulting in the above shortages and overages. There was a lack of segregation of duties that led to the opportunity for the \$40 cash shortage. In addition, deposits were not being made daily.

Recommendation: We recommend the Town Recorder and Mayor or a Board of Alderperson representative balance all monthly collection reports to the general ledger.

Response: We concur with the recommendation.

Finding Number 16

Condition: Capital assets were sold at auction that had not been declared surplus property by the Board of Alderpersons.

Criteria: Capital assets should be declared surplus property by the Board of Alderperson's prior to selling them at auction.

Effect: Three capital assets were sold at auction that were not declared surplus by the Board of Alderpersons.

Cause: The Town's personnel determined which assets were no longer needed; however, the Board of Alderpersons did not declare these capital assets as surplus property.

Recommendation: We recommend the Town obtain Board of Alderperson's declaration of surplus property prior to disposing of capital assets.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Instances of Noncompliance Material to the Financial Statements - continued

Finding Number 16 - continued

Response: This was an apparent oversight.

Finding Number 17

Condition: The Town did not obtain advertised competitive bids for all required items.

Criteria: Title 2 Section 6 of the Tennessee Code requires competitive bids for management services for construction projects. The State of Tennessee requires three requests for proposals be mailed for engineering services. The Town should maintain documentation the three requests were mailed and documentation of the selection process. Contracts should be obtained and maintained for this type of professional services. The Town's purchasing policy requires public advertisement and competitive bidding for the purchase of all goods and services exceeding \$4,000 except for those purchases specifically exempt from advertisement and bidding by the Municipal Purchasing Act of 1983.

Effect: The Town purchased dirt totaling \$16,490 for storm damage without obtaining advertised bids. Management stated this was an emergency purchase; however, the Board of Alderpersons' minutes did not declare said purchases an emergency. The Town purchased a lawn mower costing \$7,699, Lights and cameras for cars costing \$14,287 and asphalt for paving at a cost of \$4,594 without obtaining advertised bids. There was no evidence the Town advertised for request for proposals for administrative services for home grant totaling \$4,106.

Cause: The Town overlooked the bid law requirements.

Recommendation: We recommend the Town follow its bid law requirements for purchases exceeding \$4,000.

Response: We will obtain bids on all purchases exceeding \$4,000; however, this occurrence was an emergency purchase as the flooding in the spring took out one of our most traveled streets and made that part of town almost impossible to access. We are presently starting the process to recover those funds from FEMA through the disaster declaration from the President.

Finding Number 18

Condition: Policemen on duty during the time that State in service training is done are being paid by the Town and are receiving a payment for in service training.

Criteria: Employees should not be paid by the Town for the same time they are being paid for in service training.

Effect: There were two officers that apparently were paid by the Town for in service police training and received payment from the Town for the same hours worked.

Cause: The Town Recorded never realized these employees were being double paid for the same hours worked.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Instances of Noncompliance Material to the Financial Statements - continued

Finding Number 18 - continued

Recommendation: We recommend the Town consult with the State of Tennessee to determine if this can be done.

Response: We will consult with the appropriate authorities and follow their recommendation.

Finding Number 19

Condition: The Town did not remit proceeds from confiscated DUI vehicles to the State Health Department by June 30, 2011.

Criteria: TCA 40-33-211 provides for the revenue from the sale of vehicles confiscated for driving under the influence or driving on a revoked driver's license be turned over to the State Health Department by June 30 of each year after withholding funds used to compensate the Town for reasonable and direct expenses involved in the confiscation, towing, storage, and sale of forfeited vehicles.

Effect: The Town received \$6,125 proceeds from confiscated DUI vehicles that was not remitted to the State Health Department prior to June 30, 2011.

Cause: This was an apparent oversight.

Recommendation: We recommend the Town determine the amount due to the State Health Department and remit the net proceeds immediately.

Response: We will contact MTAS and determine the correct procedure to follow.

Finding Number 20

Condition: The Town does not maintain complete copies of its cancelled checks and deposit tickets.

Criteria: Title 5, Chapter 11, Section 9 of the June 2010 *Internal Control and Compliance Manual for Tennessee Municipalities* states although by State law cancelled checks must be maintained, because of current national legislation, cancelled checks may not be available. If imaged statements are issued, the municipality should require the bank to include both the front and back of each check and deposit slip, and require the images to be of such quality and size that they are clearly legible.

Effect: The imaged statements provided to the Town by the various banks include only the front side of the checks and deposit slips.

Cause: The Town was not aware of this requirement.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Instances of Noncompliance Material to the Financial Statements - continued

Finding Number 20 - continued

Recommendation: We recommend the Town require its banks to provide both the front and back of all checks and deposit slips.

Response: We will request the banks furnish this information starting now. Some banks have indicated there will be a fee associated with this service. It may be cost prohibitive.

Finding Number 21

Condition: Revenues collected are not being deposited daily.

Criteria: Title 5, Chapter 11 Section 1 of the *Internal Control and Compliance Manual for Tennessee Municipalities* provides that collections should be deposited daily, if possible, but no more than three days after the initial collection.

Effect: We performed a surprise cash count on December 10, 2010 and noted one cash drawer was short by \$27. We noted the Town Recorder, in addition to the cash drawer, had cash and checks on hand totaling \$6,437, which consisted of police fines for the period November 8, 2010 to December 11, 2010. We noted the Town Recorder deposited these funds on December 13, 2010. We also noted an interest income check in the amount of \$294 dated April 14, 2010 was not deposited until August 27, 2010 and a March 15, 2011 check was not deposited until November 15, 2011.

Cause: The Town Recorder was not making timely deposits.

Recommendation: We recommend the Town instruct its personnel to make daily deposits, if possible, but always make deposits within three days.

Response: We have instructed our personnel to make daily deposits when possible, but always within three days.

Finding Number 22

Condition: Employee debt for errors in voluntary insurance withheld from payroll was forgiven.

Criteria: Employees should not be paid more than the authorized payroll amount.

Effect: During the year ended June 30, 2010 the employees made changes to their voluntary insurances withheld from salary without the Town Recorder being notified and withheld out of payroll. These errors involved two employees and totaled to \$1,226. Management stated in the prior year that they would obtain a refund from these two employees. Management stated this year that they were not going to require reimbursement from these two employees. There was no discussion of this in the Board of Alderperson's minutes.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Instances of Noncompliance Material to the Financial Statements - continued

Finding Number 22 - continued

Cause: The Town Recorder was not notified when the employee initiated a change in voluntary insurances. Management decided that repayment would not be required.

Recommendation: We recommend the Town require reimbursement of the amounts due.

Response: We decided to not require reimbursement.

Finding Number 23

Condition: Town management changed banks without Board of Alderperson's authorization.

Criteria: Only the Board of Alderpersons can authorize the opening and closing of bank accounts.

Effect: Town management closed various bank accounts and opened new accounts in a different bank. This new bank paid less interest on deposits and bank charges increased significantly.

Cause: Management decided to change banks.

Recommendation: We recommend the Board of Alderpersons' minutes reflect authorization for closing and opening bank accounts. We recommend the Town contact all local banks and determine the best interest rates and service charges.

Response: We concur with the recommendation.

Finding Number 24

Condition: The Town did not comply with all requirements of the Home Investment Partnership Program.

Criteria: The compliance supplement and grant contract specifies various compliance requirements.

Effect: We noted the contract required each recipient to pay for \$500 of the cost of the new home. The Town made these payments instead of payments being made by the recipient. There were three houses completed during the year. The Town is rehabbing only 5 houses while the grant agreement requires 8. The Town did not comply with the 3 day \$5,000 rule for cash management. The Town had funds on hand totaling \$36,212 from May 5, 2011 to May 16, 2011, \$35,490 from May 16, 2011 to June 1, 2011, and \$42,828 from June 17, 2011 to June 23, 2011. The Town overpaid two invoices by a total of \$3,624. The Town recovered \$3,333 of these overpayments on July 28, 2011.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Instances of Noncompliance Material to the Financial Statements - continued

Finding Number 24 - continued

Cause: The Town Recorder did not understand all compliance requirements. The Town Recorder disbursed funds to a single supplier when the funds received should have been disbursed to two suppliers.

Recommendation: We recommend the Town Recorder become familiar with all compliance requirements for grants. We recommend the Town obtain a refund of the remaining \$291 overpayment.

Response: We concur with the recommendation.

Finding Number 25

Condition: The water and sewer fund reported a negative change in net assets during the year ended June 30, 2010 and 2011.

Criteria: Section 68-221-1010 *Tennessee Code Annotated* provides that should the system incur a negative change in net assets for two consecutive years, it will meet one of the criteria defining a financially distressed system. If this occurs, the State of Tennessee Division of Municipal Audit will be required to refer financially distressed systems to the Water and Wastewater Financing Board.

Effect: The water and sewer fund has experienced a negative change in net assets of \$(61,019) and \$(88,803) during the years ended June 30, 2010 and 2011.

Cause: Expenses increased faster than revenues.

Recommendation: Management should consult with its engineer and increase water and sewer rates to result in an increase in net assets.

Response: We will consult our engineer and determine if a rate increase will be necessary.

Significant Deficiencies or Material Weaknesses

Finding Number 26

Condition: As noted in finding numbers 1 through 25, there were violations of certain State laws and loan agreements.

Criteria: Internal controls should be in place to prevent violations of laws and loan agreements.

Effect: See effect of condition as listed in finding numbers 1 through 25.

Cause: The Town did not have controls in place to prevent noncompliance. See cause of condition as listed in finding numbers 1 through 25.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Significant Deficiencies or Material Weaknesses - continued

Finding Number 26 – continued

Recommendation: We recommend the Town install procedures to review each problem noted in finding numbers 1 through 25.

Response: We will install procedures to prevent noncompliance.

Finding Number 27

Condition: The general ledger did not contain entries to record all monthly billings for water, sewer and garbage.

Criteria: Internal controls should be in place and functioning to record all water, sewer and garbage revenue billings in the Town's general ledger.

Effect: The Town Recorder did not record water, sewer and garbage billings during the year ended June 30, 2011.

Cause: This was an apparent oversight.

Recommendation: The Town Recorder should record water, sewer and garbage billings monthly in the general ledger.

Response: We concur with the recommendation.

Finding Number 28

Condition: Various payroll reports and sales tax returns were filed late resulting in penalties being paid.

Criteria: Internal controls should be in place to require timely filing of all government reports.

Effect: Various reports were filed late resulting in penalties of approximately \$4,510.

Cause: Management was not monitoring filing dates for reports.

Recommendation: Management should instruct its personnel to develop a calendar of due dates for government report filing. This calendar should be monitored daily to ensure all government reports are filed timely.

Response: We concur with the recommendation.

Finding Number 29

Condition: Employee medical insurance coverage is not timely adjusted due to not properly reviewing the medical insurance bill.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Significant Deficiencies or Material Weaknesses - continued

Finding Number 29 – continued

Criteria: Invoices should be reviewed timely to ensure accuracy.

Effect: The medical insurance provider was notified effective December 1, 2010 to drop two employees because they received medical insurance from the military. The insurance company did not drop this coverage until March 31, 2011 resulting in the Town overpaying this insurance policy by \$3,365. No refund had been obtained as of the date of this report. Management is no longer with this insurance company; therefore a refund is not expected to be received.

Cause: The subsequent bills were not being properly reviewed.

Recommendation: Management should install controls to follow up on changes made that affect the amount owed for insurance. We recommend all bills be timely reviewed to ensure accuracy. Management should make every attempt to obtain a reimbursement for the delayed modification to the medical insurance coverage.

Response: We have tried on multiple occasions to discuss this matter with our former medical insurance carrier, but we have been unsuccessful in obtaining a refund.

Finding Number 30

Condition: Lack of segregation of duties.

Criteria: Town officials should enforce division of duties to provide a system of checks and balances so no one person has control over a complete transaction from beginning to end.

Effect: The Town has employees who handle both cash collections and expenditures and record keeping, as well as ordering and receiving.

Cause: The Town does not have enough employees to have an adequate segregation of duties.

Recommendation: The Town does not have the need to hire additional employees; therefore, the Mayor and Board of Alderpersons should review all financial records to ensure accuracy.

Response: We concur with the recommendation.

Finding Number 31

Condition: The Town was covered by two different medical insurance companies for one month during the year ended June 30, 2011. The Town was billed for family coverage not requested.

Criteria: Internal controls should be in place to coordinate the termination date of the existing medical insurance provider with the beginning effective date of the subsequent medical insurance provider. Internal controls should be in place to require review of medical insurance coverage to ensure correctness.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Significant Deficiencies or Material Weaknesses - continued

Finding Number 31 – continued

Effect: The Town replaced its prior medical insurance provider on June 1, 2010 and began paying the subsequent insurance provider on June 1, 2010. The Town continued to pay the prior medical insurance provider until July 31, 2010. The prior medical insurance provider was paid \$9,122 for the month of July 2010. The Town's employees were covered by both insurance providers for July 2010. The Town paid \$9,122 that was not necessary if the termination date of the prior medical insurance provider had been coordinated with the subsequent insurance provider beginning date. Management changed insurance providers to save money. The double payment offset any potential savings. The Town was billed \$844 a month for family coverage that they did not realize was being billed from July 1, 2010 to September 30, 2010. The Town has not obtained a reimbursement for this overpayment.

Cause: No one checked to see what the termination date of the prior medical insurance provider would be. No one was checking the billed amount to ensure it was correct.

Recommendation: Management should contact the prior medical insurance provider and advise them that the new medical insurance policy became effective June 1, 2010 and try to obtain a refund for this double coverage. We understand that all claims subsequent to June 1, 2010 were made with the new medical insurance provider. Management should install procedures to ensure monthly medical insurance invoices are properly reviewed for accuracy.

Response: We will instruct our personnel to coordinate the termination date of any future changes in medical insurance providers with the start date of the new medical insurance providers. We will instruct our personnel to review all invoices for accuracy.

Finding Number 32

Condition: Bank accounts are not being reconciled and balanced to the general ledger timely. The general ledger contained multiple postings to the wrong account.

Criteria: Controls should be in place requiring the bookkeeper to reconcile the bank to the general ledger monthly and post the disbursements and revenues to the appropriate general ledger account.

Effect: The bank accounts were not reconciled to the general ledger monthly as required. This resulted in the general ledger not being turned over to the auditor in time to complete the audit prior to the due date of December 31, 2011. A 30 day extension was required. The general ledger contained numerous errors in posting requiring numerous adjustments.

Cause: The bookkeeper got behind and did not catch the books up until December 2011.

Recommendation: Management should remind the bookkeeper of the importance of reconciling cash to the general ledger monthly.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Significant Deficiencies or Material Weaknesses - continued

Finding Number 32 – continued

Response: The bookkeeper got behind. We have now hired an additional employee that should allow the financial records to be completed timely.

Finding Number 33

Condition: All bank accounts do not require dual signatures.

Criteria: Effective internal controls require two authorized signatures on all checks.

Effect: The disbursements made from the community center bank account, the home grant account, and the special drug fund account are being signed only by the Town Recorder. The PayPal transactions are being authorized only by the Town Recorder. We noted there were checks that cleared the bank in most accounts that contained only one signature.

Cause: Management has never required two signature these three accounts. The other accounts were apparent oversights

Recommendation: Management should remind its personnel the requirement for dual signatures apply to all disbursements made.

Response: We have instructed our Town Recorder to require all checks written to contain two authorized signatures.

Finding Number 34

Condition: Internal controls over disbursements are inadequate. Invoices are not being timely paid.

Criteria: Internal controls should be in place and functioning that require purchase orders and invoice approval. Internal controls should be in place requiring all invoices be timely paid.

Effect: In our test of 114 cash disbursements we noted the following:

- A. 114 disbursements did not contain a purchase order.
- B. 114 disbursements did not contain evidence of approval by an appropriate official.
- C. 7 disbursements did not have a copy of the invoice to substantiate the disbursement
- D. 22 disbursements were coded to the wrong general ledger account.
- E. 1 invoice was overpaid \$80.

We noted the Board of Alderperson's minutes did not reflect claim approval.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Significant Deficiencies or Material Weaknesses - continued

Finding Number 34 – continued

Effect:- continued

We noted the Town would double pay some invoices due to paying late. These late invoices would appear on the subsequent statement as outstanding and management would pay the current and late bill without investigating for payment earlier in the month. Each instance noted resulted in an appropriate credit to the bill the following month.

We noted multiple invoices throughout the year incurred unnecessary late fees.

We noted the Town paid cemetery mowing and maintenance expense of \$18,000 that were not backed up by invoices or approved by the Board of Alderpersons.

Cause: The Town does not require invoice approval by an appropriate official prior to payment. The Town uses a purchase order system but does not match purchase orders and paid invoices. The Town Recorder got behind resulting in various bills being paid late.

Recommendation: We recommend the Town establish internal controls that require the matching of purchase orders with invoices prior to payment. We also recommend the Town establish a procedure to require a designated board member to approve and initial all invoices prior to payment. We also recommend the Town Recorder be instructed to pay all bills timely. We recommend the Board of Alderpersons periodically review disbursements to ensure they are being timely paid.

Response: We will consult with the Board of Alderpersons and determine the internal controls that need to be installed.

Finding Number 35

Condition: The Town has excess cash in checking accounts or savings accounts that receive minimum interest rates.

Criteria: It is in the best interest of the Town to invest excess funds in certificates of deposit or other investments authorized by Tennessee law.

Effect: At June 30, 2011, the Town had general fund and water and sewer checking accounts and savings totaling \$1,103,896 that were earning less than certificate of deposit interest rates. Interest rates on debt are as high as 8%. We also noted the Town does not check with other banks to obtain the best interest rates.

Cause: Excess funds were being maintained in checking accounts instead of being invested or paid on debt.

Recommendation: We recommend all excess funds be invested in accordance with Tennessee law. The Town could consider paying off certain high interest debt early with the excess funds.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Significant Deficiencies or Material Weaknesses - continued

Finding Number 35 – continued

Response: We are checking with the various banks to determine the best interest rate. We will determine the excess funds on hand and invest the excess funds, if any.

Finding Number 36

Condition: The Town maintains the sanitation fund in with general fund transactions. The Town does not record the general fixed assets or long term debt account group monthly.

Criteria: Effective internal controls should be in place to record each fund in a separate general ledger timely.

Effect: The sanitation fund transactions were included in the general fund transactions throughout the year requiring reclassification to the appropriate fund at year end. The additions to the general fixed assets and the reduction of debt in the long term debt account group were not recorded until year end.

Cause: The Town Recorder did not realize the necessity to maintain each fund separately or to timely record all transactions.

Recommendation: We recommend the Town record all transactions timely in the correct fund.

Response: We concur with the recommendation.

Finding Number 37

Condition: The Town outsources financial statements, related notes, and supplementary information preparation.

Criteria: Part of effective internal control over financial reporting is the ability to adequately produce financial statements in accordance with generally accepted accounting principles.

Effect: The Town must incur the expense of outsourcing the preparation of the financial statements, related notes, and supplementary information.

Cause: As is normal for towns of this type and size, the Town's staff and management do not have the required technical expertise to meet the above criteria.

Recommendation: Due to the size of the Town and the cost of hiring additional staff, no change is recommended.

Response: We agree with the finding, but feel the Town is best served by continuing to outsource the preparation of financial statements, related notes, and supplementary information. This is less costly than hiring additional staff to perform these tasks.

TOWN OF WHITEVILLE, TENNESSEE
Schedule of Findings and Responses
For the fiscal year ended June 30, 2011

Significant Deficiencies or Material Weaknesses - continued

Finding Number 38

Condition: Credit card receipts were not being monitored to determine collection.

Criteria: Internal controls should be in place and functioning to require comparison of credit card receipts to credit card collections.

Effect: Management was not comparing credit card receipts to credit card collections. In November 2010 management realized that it had not received some credit card collections. Some of these errors went back to July 2009. Management was able to obtain a payment from the credit card company of \$26,156 on November 17, 2010.

Cause: Management was not comparing credit card receipts to credit card collections received.

Recommendation: Management should establish procedures to require its personnel to compare credit card receipts to credit card collections daily.

Response: We have stopped accepting credit card payments.

Finding Number 39

Condition: The Town's computer software for maintaining compensated absences is not being maintained properly.

Criteria: Proper accounting records include contemporaneously maintaining the compensated absence records.

Effect: The Town Recorder had to recreate the compensated absence records.

Cause: The Town Recorder did not understand how to utilize the computer program.

Recommendation: We recommend the Town Recorder obtain training in how to use the compensated absence software and enter data each payroll. Alternatively manual records could be maintained contemporaneously.

Response: We are considering maintaining these records manually.

TOWN OF WHITEVILLE, TENNESSEE
Results of Prior Audit Findings
For the fiscal year ended June 30, 2011

Prior Year Instances of Noncompliance Material to the Financial Statements

Prior Year Finding Number 1

Condition: The Board of Alderperson's minutes did not reflect approval of two lease purchase contracts from the prior years and an operating lease during the year ended June 30, 2010.

Recommendation: The Board of Alderpersons should review the two lease purchase contracts from prior years and obtain approval or disapproval. This should be documented in the Board of Alderperson's minutes. Lease purchase contracts and operating leases must be approved by the Board of Alderpersons before the contract is executed.

Status: The Board of Alderpersons approved the capital leases entered into during the current year.

Prior Year Finding Number 2

Condition: The Town is not performing an annual inventory of governmental fund capital assets. Capital assets are not tagged for proper identification.

Recommendation: The Town should inventory and permanently tag all Town general fixed assets. These general fixed assets should be valued at cost or estimated cost if donated or cost is not available. The Town should take an annual inventory and establish detailed general fixed assets records.

Status: This is still a finding in this report. See finding number 2 on page 81.

Prior Year Finding Number 3

Condition: Financial information and claim approval is not being provided to the Board of Alderpersons.

Recommendation: The Town should provide the Board of Alderpersons with monthly balance sheets and income statements compared to budget showing both monthly and year to date information. The Board should be provided with a list of all expenditures paid during the month for their review and approval. The Board of Alderpersons should review and approve all claims prior to payment. The Board of Alderpersons is ultimately responsible for all expenditures.

Status: This is still a finding in this report. See finding number 3 on page 82.

Prior Year Finding Number 4

Condition: Expenditures exceeded budget.

Recommendation: Budgets should be reviewed monthly and amendments made by the Board of Alderpersons when necessary.

Status: This is still a finding in this report. See finding number 4 on pages 82-84.

TOWN OF WHITEVILLE, TENNESSEE
Results of Prior Audit Findings
For the fiscal year ended June 30, 2011

Prior Year Instances of Noncompliance Material to the Financial Statements - continued

Prior Year Finding Number 5

Condition: Fidelity bonds are insufficient to meet Rural Development bond requirements.

Recommendation: The Town should either increase its fidelity bond coverage to the minimum amount required by Rural Development or obtain a waiver from Rural Development.

Status: This is still a finding in this report. See finding number 5 on page 84.

Prior Year Finding Number 6

Condition: The Town does not maintain records of the water used by the Town nor bill other departments for water and sewer used. The Town does not compare water pumped to water sold to determine lost water percentage.

Recommendation: We recommend the Town start metering all Town water usage and compare gallons pumped to gallons sold monthly and research unusual differences. Each department should pay the water and sewer department for utilities used.

Status: This is still a finding in this report. See finding number 6 on page 85.

Prior Year Finding Number 7

Condition: Board approval and declaration of conflict of interest on related party insurance purchases were not always made.

Recommendation: The Board of Alderperson's minutes should contain evidence of authorization to pay and the Mayor's declaration of his conflict of interest prior to purchase and payment.

Status: This is still a finding in this report. See finding number 7 on pages 85-86.

Prior Year Finding Number 8

Condition: Interfund due to/from other fund loans resulting from funds paid from the wrong account and funds not timely transferred were not approved by the Board of Alderpersons.

Recommendation: We recommend the Town immediately repay the interfund loans. All interfund loans and transfers should be approved by the Board of Alderpersons.

Status: This is still a finding in this report. See finding number 8 on page 86.

TOWN OF WHITEVILLE, TENNESSEE
Results of Prior Audit Findings
For the fiscal year ended June 30, 2011

Prior Year Instances of Noncompliance Material to the Financial Statements - continued

Prior Year Finding Number 9

Condition: Three employees were given raises without Board of Alderperson's action. Two employees were switched from hourly pay to salary without Board of Alderperson's action and these two employees stopped maintaining time records. One of these employees was scheduled to work only 35 hours a week but the salary amount was based on 40 hours. Start and stop times were not entered on payroll time records for six employees.

Recommendation: The Town should pay employees only for time actually worked. All employee raises and promotions should be authorized by the Board of Alderpersons. Management should consider requiring employees to punch a time clock and pay only for hours worked at the properly approved rate of pay. Management should obtain a refund for overpaid payroll.

Status: This is still a finding in this report. See finding number 9 on pages 86-87.

Prior Year Finding Number 10

Condition: The Town provided reduced rent without Board of Alderperson's approval.

Recommendation: The Town should determine a fair rental value for the church building. The Town should require the church to get utilities in the church's name.

Status: This is still a finding in this report. See finding number 10 on page 87.

Prior Year Finding Number 11

Condition: Meter deposits are not being refunded or turned over to unclaimed property.

Recommendation: We recommend the Town refund or confiscate unused meter deposits. If the Town cannot locate the former customers, the meter deposit should be turned over to unclaimed property. Since the Town is no longer charging a meter deposit, the Town might consider refunding all remaining meter deposits to avoid this situation in the future.

Status: Meter deposits are now being refunded; however, meter deposits not being refunded are not turned over to unclaimed property. This is still a finding in this report. See finding number 11 on pages 87-88.

TOWN OF WHITEVILLE, TENNESSEE
Results of Prior Audit Findings
For the fiscal year ended June 30, 2011

Prior Year Instances of Noncompliance Material to the Financial Statements - continued

Prior Year Finding Number 12

Condition: Payroll checks are given out before work is completed for the week.

Recommendation: We recommend payroll checks not be given out until the work week has been completed.

Status: This is still a finding in this report. See finding number 12 on page 88.

Prior Year Finding Number 13

Condition: Salaried employees are not being required to maintain time records. Compensated absence and sick pay time is not always being removed from records when a salaried employee did not work the full work week.

Recommendation: The Board of Alderpersons should require all full-time salaried employees maintain time records to document overtime and compensated absence and sick day use. Management should obtain refunds for the pay increase paid in error. Pay raises and promotions should only be given when the Board of Alderperson's have approved them.

Status: This is still a finding in this report. See finding number 13 on pages 88-89.

Prior Year Finding Number 14

Condition: The Town has cash funds that are not collateralized in accordance with State laws.

Recommendation: The Town should determine if PayPal is covered by FDIC insurance. The Town should only have deposits with institutions covered with Category 1 collateral.

Status: This is still a finding in this report. See finding number 14 on page 89.

Prior Year Finding Number 15

Condition: The Tennessee State Audit Department determined there was a shortage of funds during the year ended June 30, 2010. There were also missing receipt books.

Recommendation: We recommend the Town Recorder and Mayor or a Board of Alderperson representative balance all monthly collection reports to the general ledger.

Status: This is still a finding in this report. See finding number 15 on pages 89-90.

TOWN OF WHITEVILLE, TENNESSEE
Results of Prior Audit Findings
For the fiscal year ended June 30, 2011

Prior Year Instances of Noncompliance Material to the Financial Statements - continued

Prior Year Finding Number 16

Condition: Capital assets were sold at auction that had not been declared surplus property by the Board of Alderpersons.

Recommendation: We recommend the Town obtain Board of Alderperson's declaration of surplus property prior to disposing of capital assets.

Status: This is still a finding in this report. See finding number 16 on pages 90-91.

Prior Year Finding Number 17

Condition: The Town did not obtain advertised competitive bids for all required items.

Recommendation: We recommend the Town follow its bid law requirements for purchases exceeding \$4,000.

Status: This is still a finding in this report. See finding number 17 on page 91.

Prior Year Finding Number 18

Condition: Policemen on duty during the time that State in service training is done are being paid by the Town and are receiving a payment for in service training.

Recommendation: We recommend the Town consult with the State of Tennessee to determine if this can be done.

Status: This is still a finding in this report. See finding number 18 on pages 91-92.

Prior Year Finding Number 19

Condition: The Town did not remit proceeds from confiscated DUI vehicles to the State Health Department by June 30, 2010.

Recommendation: We recommend the Town determine the amount due to the State Health Department and remit the net proceeds immediately.

Status: This is still a finding in this report. See finding number 19 on page 92.

Prior Year Finding Number 20

Condition: The Town does not maintain complete copies of its cancelled checks and deposit tickets.

Recommendation: We recommend the Town require its banks to provide both front and back of all checks and deposit slips.

TOWN OF WHITEVILLE, TENNESSEE
Results of Prior Audit Findings
For the fiscal year ended June 30, 2011

Prior Year Instances of Noncompliance Material to the Financial Statements - continued

Prior Year Finding Number 20 - continued

Status: This is still a finding in this report. See finding number 20 on pages 92-93.

Prior Year Finding Number 21

Condition: Revenues collected are not being deposited daily.

Recommendation: We recommend the Town instruct its personnel to make daily deposits, if possible, but always make deposits within three days.

Status: This is still a finding in this report. See finding number 21 on page 93.

Prior Year Significant Deficiencies

Prior Year Finding Number 22

Condition: As noted in finding numbers 1 through 21, there were violations of certain State laws and loan agreements.

Recommendation: We recommend the Town install procedures to review each problem noted in finding numbers 1 through 21.

Status: This is still a finding in this report. See finding number 26 on pages 93-94.

Prior Year Finding Number 23

Condition: The Town maintains the sanitation fund in with general fund transactions. The Town does not record the general fixed assets or long term debt account group monthly.

Recommendation: We recommend the Town record all transactions timely in the correct fund.

Status: This is still a finding in this report. See finding number 36 on page 101.

Prior Year Finding Number 24

Condition: The Town outsources financial statements, related notes, and supplementary information preparation.

Recommendation: Due to the size of the Town and the cost of hiring additional staff, no change is recommended.

Status: This is still a finding in this report. See finding number 37 on pages 101-102.

TOWN OF WHITEVILLE, TENNESSEE
Results of Prior Audit Findings
For the fiscal year ended June 30, 2011

Prior Year Significant Deficiencies - continued

Prior Year Finding Number 25

Condition: Credit card receipts were not being monitored to determine collection.

Recommendation: Management should establish procedures to require its personnel to compare credit card receipts to credit card collections daily.

Status: This is still a finding in this report. See finding number 38 on page 102.

Prior Year Finding Number 26

Condition: Franchise fee check received from Comcast was apparently lost.

Recommendation: The Town should obtain a replacement check for this missing check. The Town Recorder should establish a calendar listing when revenue checks should be received and investigate discrepancies when payments are not received timely.

Status: The Town obtained a replacement check from Comcast.

Prior Year Finding Number 27

Condition: The general ledger did not contain entries to record all monthly billings for water, sewer and garbage.

Recommendation: The Town Recorder should record water, sewer and garbage billings monthly in the general ledger.

Status: This is still a finding in this report. See finding number 27 on page 96.

Prior Year Finding Number 28

Condition: Various payroll reports and sales tax returns were filed late resulting in penalties being paid.

Recommendation: Management should instruct its personnel to develop a calendar of due dates for government report filing. This calendar should be monitored daily to ensure all government reports are filed timely.

Status: This is still a finding in this report. See finding number 28 on page 96.

TOWN OF WHITEVILLE, TENNESSEE
Results of Prior Audit Findings
For the fiscal year ended June 30, 2011

Prior Year Significant Deficiencies - continued

Prior Year Finding Number 29

Condition: The payroll records did not include all payroll items paid.

Recommendation: The Town should file amended form 941 and Tennessee Consolidated Retirement System forms for the period ended June 30, 2010 and be sure to include these payroll items in the 2010 W-2 form.

Status: The prior year payroll reports were not amended to include the missing items. This did not reoccur during the current year.

Prior Year Finding Number 30

Condition: Lack of segregation of duties.

Recommendation: The Town does not have the need to hire additional employees; therefore, the Mayor and Board of Alderpersons should review all financial records to ensure accuracy.

Status: This is still a finding in this report. See finding number 30 on page 97.

Prior Year Finding Number 31

Condition: The Town was covered by two different medical insurance companies for two months.

Recommendation: Management should contact the prior medical insurance provider and advise them that the new medical insurance policy became effective June 1, 2010 and try to obtain a refund for this double coverage. We understand that all claims subsequent to June 1, 2010 were made with the new medical insurance provider.

Status: This is still a finding in this report. See finding number 31 on pages 97-98.

Prior Year Finding Number 32

Condition: Bank accounts are not being reconciled and balanced to the general ledger timely. The general ledger contained multiple postings to the wrong account.

Recommendation: Management should remind the bookkeeper of the importance of reconciling cash to the general ledger monthly.

Status: This is still a finding in this report. See finding number 32 on pages 98-99.

TOWN OF WHITEVILLE, TENNESSEE
Results of Prior Audit Findings
For the fiscal year ended June 30, 2011

Prior Year Significant Deficiencies - continued

Prior Year Finding Number 33

Condition: All bank accounts do not require dual signatures.

Recommendation: Management should remind its personnel the requirement for dual signatures apply to all disbursements made.

Status: This is still a finding in this report. See finding number 33 on page 99.

Prior Year Finding Number 34

Condition: Internal controls over disbursements are inadequate. Invoices are not being timely paid.

Recommendation: We recommend the Town establish internal controls that require the matching of purchase orders with invoices prior to payment. We also recommend the Town establish a procedure to require a designated board member to approve and initial all invoices prior to payment. We also recommend the Town Recorder be instructed to pay all bills timely. We recommend the Board of Alderpersons periodically review disbursements to ensure they are being timely paid.

Status: This is still a finding in this report. See finding number 34 on pages 99-100.

Finding Number 35

Condition: The Town has excess cash in checking accounts or savings accounts that receive minimum interest rates.

Recommendation: We recommend all excess funds be invested in accordance with Tennessee law. The Town could consider paying off certain high interest debt early with the excess funds.

Status: This is still a finding in this report. See finding number 35 on pages 100-101.