

**CITY OF NEWBERN, TENNESSEE**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**Fiscal Year Ended June 30, 2011**

**CITY OF NEWBERN, TENNESSEE  
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**CITY OF NEWBERN, TENNESSEE**

June 30, 2011

**BOARD OF ALDERMEN**

Kathy Clements  
Larry Fesmire  
Bennie Greene  
Robert Hart  
Chris Odom  
Bill Parks

**ADMINISTRATIVE STAFF**

K.W. Dennison – Mayor  
Jason Roberts – Recorder  
Sandy Hill – Public Works Director  
Rosalind Green – Utilities Office Manager  
James Wilkerson – Gas Supervisor  
Casey King – Water/Sewer Supervisor  
Steve Dodds – Street Supervisor  
Harold Dunivant – Police Chief  
Phillip Cottrell – Fire Chief

## FINANCIAL SECTION



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## Independent Auditor's Report

The Honorable Mayor and  
Board of Aldermen  
City of Newbern, 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 City of Newbern, Tennessee (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newbern, 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 February 17, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Honorable Mayor and  
Board of Aldermen  
City of Newbern, Tennessee

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 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 City's financial statements as a whole. The introductory section and the other supplementary information section are presented for the purposes of additional analysis and are not a required part of the financial statements. The other supplementary information, except for that portion marked "unaudited", is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This 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 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 taken as a whole. The introductory section and other supplementary information marked "unaudited" 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 them.

*Alexander Thompson Arnold PLLC*

Dyersburg, Tennessee  
February 17, 2012

## Management's Discussion and Analysis

As management of the City of Newbern, we offer readers of the City of Newbern's financial statements this narrative overview and analysis of the financial activities of the City of Newbern for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in the basic financial statements and the accompanying notes to these financial statements. All amounts, unless otherwise indicated, are expressed in actual dollars. Comparative analyses of key elements of total governmental funds and total enterprise funds have been provided.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Newbern exceeded its liabilities at the close of the most recent fiscal year by \$24,739,427 (net assets). Of this amount, \$8,281,355 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$674,772 during the current fiscal year.
- As of the close of the current fiscal year, the City of Newbern's governmental funds reported combined ending fund balances of \$1,137,902, a decrease of \$215,998 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$721,291, or 31% of total general fund expenditures.
- The City of Newbern's total debt decreased by \$255,071, 4.4% during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to, and should be read in conjunction with, the City of Newbern's basic financial statements and supplementary information. The City of Newbern's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Newbern's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the City of Newbern'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 City of Newbern is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City of Newbern 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 City of Newbern include general government, public safety, highways and streets, sanitation, economic development, and cultural and recreation. The business-type activities of the City of Newbern include a water and sewer distribution operation, a rural water distribution operation, an electric distribution operation and a gas distribution operation.

The government-wide financial statements can be found on pages 13 through 15 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 City of Newbern, 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 City of Newbern can be divided into two categories: governmental funds and proprietary 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 balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund equity provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Newbern maintains seven 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 equity for the general fund which is considered to be a major fund. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 16 through 24 of this report.

**Proprietary funds** - The City of Newbern maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Newbern uses enterprises funds to account for its water and sewer distribution, rural water distribution, electric distribution and gas distribution 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 distribution, rural water distribution, electric distribution and gas distribution operations, each of which are considered to be major funds of the City of Newbern.

The basic proprietary fund financial statements can be found on pages 25 through 29 of this report.

## **Notes to 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 30 through 46 of this report.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents the combining statements referred to earlier in connection with nonmajor governmental funds. Combining and individual fund statements and schedules can be found on pages 47 through 55 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 City of Newbern, assets exceeded liabilities by \$24,739,427 at the close of the most recent fiscal year.

By far the largest portion of the City of Newbern's net assets (66%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Newbern uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Newbern'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.

**City of Newbern - Net Assets**

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
Current and other assets	\$ 2,117,112	\$ 2,267,355	\$ 9,674,515	\$ 8,804,627
Capital assets	2,320,157	2,409,044	18,651,505	19,325,763
Total assets	4,437,269	4,676,399	28,326,020	28,130,390
Long-term liabilities	980,817	1,029,516	4,750,893	4,760,182
Other liabilities	918,423	852,668	1,373,729	2,145,469
Total liabilities	1,899,240	1,882,184	6,124,622	6,905,651
Net assets:				
Invested in capital assets, net of related debt	2,076,682	2,083,540	13,971,666	14,636,635
Restricted	88,881	98,115	123,760	364,518
Unrestricted	372,466	612,560	8,105,972	6,223,586
Total net assets	\$ 2,538,029	\$ 2,794,215	\$ 22,201,398	\$ 21,224,739

	Total	
	2011	2010
Current and other assets	\$ 11,791,627	\$ 11,071,982
Capital assets	20,971,662	21,734,807
Total assets	32,763,289	32,806,789
Long-term liabilities	5,731,710	5,789,698
Other liabilities	2,292,152	2,998,137
Total liabilities	8,023,862	8,787,835
Net assets:		
Invested in capital assets, net of related debt	16,048,348	16,720,175
Restricted	212,641	462,633
Unrestricted	8,478,438	6,836,146
Total net assets	\$ 24,739,427	\$ 24,018,954

A portion of the City of Newbern's net assets (0.9%) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net assets (\$8,281,355) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Newbern is able to report positive balances in all three categories of net assets.

The government's net assets increased by \$674,772 during the current fiscal year. The net assets from governmental activities decreased by \$256,186, while the net assets from business-type activities increased by \$930,958.

The following is a summary of financial activities for the City of Newbern during the fiscal year ended June 30, 2011:

**City of Newbern - Changes in Net Assets**

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
<b>Revenues:</b>				
<b>Program revenues:</b>				
Charges for services	\$ 470,641	\$ 476,802	\$ 15,979,532	\$ 15,155,319
Operating grants & contributions	312,154	261,043		
Capital grants and contributions			107,350	536,803
<b>General revenues:</b>				
Property taxes	687,321	703,162		
Local sales tax	538,142	525,254		
Other taxes & intergovernmental	406,343	413,292		
Unrestricted investment earnings	9,678	7,769	53,238	54,471
Other	359,310	373,553		
<b>Total revenues</b>	<u>2,783,589</u>	<u>2,760,875</u>	<u>16,140,120</u>	<u>15,746,593</u>
<b>Expenses:</b>				
General government	507,930	451,059		
Public safety	1,081,860	1,018,701		
Highways and streets	638,031	589,325		
Culture and recreation	420,712	399,900		
Sanitation	391,242	363,633		
Electric			9,924,314	8,775,199
Gas			2,258,998	2,504,984
Water and sewer			2,284,796	2,208,892
Rural water			741,054	717,216
<b>Total expenses</b>	<u>3,039,775</u>	<u>2,822,618</u>	<u>15,209,162</u>	<u>14,206,291</u>
Change in net assets	(256,186)	(61,743)	930,958	1,540,302
Net assets - beginning	2,821,182	2,887,630	22,089,072	20,548,770
Prior period adjustment	(26,967)	(4,705)	(818,632)	
Net assets - beginning, restated	<u>2,794,215</u>	<u>2,882,925</u>	<u>21,270,440</u>	<u>20,548,770</u>
Net assets - ending	<u>\$ 2,538,029</u>	<u>\$ 2,821,182</u>	<u>\$ 22,201,398</u>	<u>\$ 22,089,072</u>

	Total	
	2011	2010
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 16,450,173	\$ 15,632,121
Operating grants & contributions	312,154	261,043
Capital grants and contributions	107,350	536,803
<b>General revenues:</b>		
Property taxes	687,321	703,162
Local sales tax	538,142	525,254
Other taxes & intergovernmental	406,343	413,292
Unrestricted investment earnings	62,916	62,240
Other	359,310	373,553
<b>Total revenues</b>	<u>18,923,709</u>	<u>18,507,468</u>
<b>Expenses:</b>		
General government	507,930	451,059
Public safety	1,081,860	1,018,701
Highways and streets	638,031	589,325
Culture and recreation	420,712	399,900
Sanitation	391,242	363,633
Electric	9,924,314	8,775,199
Gas	2,258,998	2,504,984
Water and sewer	2,284,796	2,208,892
Rural water	741,054	717,216
<b>Total expenses</b>	<u>18,248,937</u>	<u>17,028,909</u>
Change in net assets	674,772	1,478,559
Net assets - beginning	24,910,254	23,436,400
Prior period adjustment	(845,599)	(4,705)
Net assets - beginning, restated	<u>24,064,655</u>	<u>23,431,695</u>
Net assets - ending	<u>\$ 24,739,427</u>	<u>\$ 24,910,254</u>

**City of Newbern**  
**Revenues by Source - Governmental Activities**

Governmental activity revenues by source for the year are as follows:

	2011	
	Amount	Percentage
Property taxes	\$ 687,321	25%
Sales tax	538,142	19%
Charges for services	470,641	17%
Other taxes and intergovernmental	406,343	15%
Other sources	359,310	13%
Unrestricted investment earnings	9,678	0%
Operating grants and contributions	312,154	11%
	\$ 2,783,589	100%

	2010	
	Amount	Percentage
Property taxes	\$ 703,162	25%
Sales tax	525,254	19%
Charges for services	476,802	17%
Other taxes and intergovernmental	413,292	15%
Other sources	373,553	14%
Unrestricted investment earnings	7,769	1%
Operating grants and contributions	261,043	9%
	\$ 2,760,875	100%

**City of Newbern**  
**Expenses and Program Revenues - Governmental Activities**

Governmental activity expenses and program revenues for the year are as follows:

	2011	
	Expense	Revenue
General government	\$ 507,930	\$ 240,158
Public safety	1,081,860	104,247
Streets	638,031	88,092
Recreation	298,147	22,195
Cemetery	25,130	
Library	97,435	
Sanitation	391,242	328,103
	\$ 3,039,775	\$ 782,795

	2010	
	Expense	Revenue
General government	\$ 451,059	\$ 186,279
Public safety	1,018,701	118,336
Streets	589,325	85,778
Recreation	283,741	20,425
Cemetery	20,504	
Library	95,655	
Sanitation	363,633	327,027
	\$ 2,822,618	\$ 737,845

**City of Newbern**  
**Revenues by Source - Business-type Activities**

Business-type activity revenues by source for the year are as follows:

	2011	
	Amount	Percentage
Electric	\$ 10,135,718	63%
Gas	2,631,225	16%
Water and sewer	2,519,032	16%
Rural water	800,907	5%
	\$ 16,086,882	100%

	2010	
	Amount	Percentage
Electric	\$ 9,055,371	57%
Gas	2,920,903	19%
Water and sewer	2,948,467	19%
Rural water	767,381	5%
	\$ 15,692,122	100%

**City of Newbern**  
**Expenses and Program Revenues - Business-type Activities**

Business-type activity expenses and program revenues for the year are as follows:

	2011	
	Expense	Revenue
Electric	\$ 9,766,392	\$ 10,135,718
Gas	2,258,998	2,631,225
Water and sewer	2,284,796	2,519,032
Rural water	741,054	800,907
	\$ 15,051,240	\$ 16,086,882

	2010	
	Expense	Revenue
Electric	\$ 8,620,849	\$ 9,055,371
Gas	2,504,984	2,920,903
Water and sewer	2,208,892	2,948,467
Rural water	717,216	767,381
	\$ 14,051,941	\$ 15,692,122

## **Financial Analysis of the City of Newbern's Funds**

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

**Governmental funds** - The focus of the City of Newbern's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City of Newbern's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of Newbern's governmental funds reported combined ending fund balances of \$1,137,902, a decrease of \$215,998, in comparison with the prior year. Of this amount \$721,291 constitutes unassigned fund balance, which is available for spending at the City's discretion.

The general fund is the chief operating fund of the City of Newbern. At the end of the current fiscal year, unassigned fund balance of the general fund was \$721,291 which represents 25% of the total general fund expenditures and transfers out. The fund balance of the City of Newbern's general fund decreased by \$206,764.

Nonmajor (other) governmental funds have a fund balance of \$88,881. The fund balance of the nonmajor governmental funds decreased by \$9,234 during the current year.

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

Unrestricted net assets of the proprietary funds at the end of the year were as follows: Electric - \$2,860,675, Gas - \$3,024,395, Water and Sewer - \$939,425, Rural Water - \$1,084,394. The total growth in net assets for these funds was \$930,958.

### **General Fund Budgetary Highlights**

There were no amendments to the original budget.

### **Capital Asset and Debt Administration**

**Capital assets** - The City of Newbern's investment in capital assets for its governmental and business type activities as of June 30, 2011, amounts to \$20,971,662 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements other than buildings, machinery and equipment, infrastructure and construction in progress.

**City of Newbern - Capital Assets**  
(Net of Depreciation)

	2011		
	Governmental Activities	Business-type Activities	Total
Land	\$ 328,511	\$ 154,041	\$ 482,552
Buildings and systems	304,594	17,760,224	18,064,818
Improvements other than buildings	65,387	91,896	157,283
Machinery and equipment	277,473	319,367	596,840
Infrastructure	1,344,192		1,344,192
Construction in progress		325,977	325,977
	<u>\$ 2,320,157</u>	<u>\$ 18,651,505</u>	<u>\$ 20,971,662</u>

	2010		
	Governmental Activities	Business-type Activities	Total
Land	\$ 328,511	\$ 154,041	\$ 482,552
Buildings and systems	321,901	17,505,546	17,827,447
Improvements other than buildings	76,599	102,741	179,340
Machinery and equipment	315,581	356,996	672,577
Infrastructure	1,366,452		1,366,452
Construction in progress		2,070,772	2,070,772
	<u>\$ 2,409,044</u>	<u>\$ 20,190,096</u>	<u>\$ 22,599,140</u>

**City of Newbern - Outstanding Debt**

**Long-term debt.** At the end of the current fiscal year, the City of Newbern has total debt outstanding of \$5,534,627. Of this amount \$1,569,314 comprises debt backed by the full faith and credit of the government. The remainder of the City of Newbern's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

	2011		
	Governmental Activities	Business-type Activities	Total
Notes payable	\$ 87,731	\$ 348,723	\$ 436,454
General obligation bonds	155,744		155,744
Revenue bonds		3,965,313	3,965,313
Conservation loans		168,720	168,720
Landfill costs	674,798		674,798
Compensated absences	62,544	71,054	133,598
	<u>\$ 980,817</u>	<u>\$ 4,553,810</u>	<u>\$ 5,534,627</u>

	2010		
	Governmental Activities	Business-type Activities	Total
Notes payable	\$ 142,022	\$ 412,294	\$ 554,316
General obligation bonds	183,482		183,482
Revenue bonds		4,124,222	4,124,222
Conservation loans		152,612	152,612
Landfill costs	663,428		663,428
Compensated absences	40,584	71,054	111,638
	<u>\$ 1,029,516</u>	<u>\$ 4,760,182</u>	<u>\$ 5,789,698</u>

The City of Newbern's total debt decreased by \$255,071 (4.4%) during the current fiscal year. The City of Newbern maintains a B rating from Moody's Investors Service for its General Obligation Debt.

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

- The unemployment rate for the municipal service area is currently 13.3%, which is an increase from a rate of 12.1% a year ago. This compares to the state's average unemployment rate of 9.8% as of June 30, 2011.
- Inflationary trends in the region are comparable to national indices.
- Growth in local sales tax collections is expected to be less than 1% in fiscal year 2012.

All of these factors were considered in preparing the City of Newbern's budget for the 2012 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund decreased to \$721,291. The City of Newbern was able to adopt a balanced general fund budget for fiscal year 2012 without the use of the unreserved fund balance.

## **Requests for Information**

This financial report is designed to provide a general overview of the City of Newbern's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Newbern, City Recorder, P.O. Box 460, Newbern, TN 38059.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF NET ASSETS**  
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 932,316	\$ 7,033,803	\$ 7,966,119
Invested funds	209,048	501,000	710,048
Property taxes receivable	758,823		758,823
Accounts receivable	191,977	1,141,407	1,333,384
Allowance for doubtful accounts	(8,045)	(19,089)	(27,134)
Interest receivable	1,482	4,598	6,080
Other receivables		254,425	254,425
Inventories		442,374	442,374
Prepayments	31,511	26,027	57,538
<b>Total current assets</b>	<u>2,117,112</u>	<u>9,384,545</u>	<u>11,501,657</u>
<b>Noncurrent assets</b>			
Restricted assets			
Cash and cash equivalents		56,629	56,629
Invested funds		67,131	67,131
CSA receivable		166,210	166,210
Capital assets not being depreciated:			
Land	328,511	154,041	482,552
Construction in progress		325,977	325,977
Capital assets being depreciated:			
Buildings	602,761		602,761
Improvements other than buildings	131,477		131,477
Machinery and equipment	1,269,534	2,013,193	3,282,727
Electric plant in service		28,877,968	28,877,968
Utility plant in service		363,909	363,909
Infrastructure	4,226,327		4,226,327
Less accumulated depreciation	(4,238,453)	(13,083,583)	(17,322,036)
<b>Total capital assets</b>	<u>2,320,157</u>	<u>18,651,505</u>	<u>20,971,662</u>
<b>Total noncurrent assets</b>	<u>2,320,157</u>	<u>18,941,475</u>	<u>21,261,632</u>
<b>Total assets</b>	<u>\$ 4,437,269</u>	<u>\$ 28,326,020</u>	<u>\$ 32,763,289</u>

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

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF NET ASSETS (CONTINUED)**  
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 168,732	\$ 1,139,056	\$ 1,307,788
Accrued payroll and vacation pay	44,080		44,080
Other payables		4,775	4,775
Customer deposits	7,575	169,618	177,193
Accrued interest payable		38,756	38,756
Other current liabilities		21,524	21,524
Deferred revenue	698,036		698,036
Total current liabilities	<u>918,423</u>	<u>1,373,729</u>	<u>2,292,152</u>
<b>Noncurrent liabilities</b>			
Deferred revenues		197,083	197,083
Bonds and notes payable:			
Due within one year	72,045	230,623	302,668
Due in more than one year	171,430	4,083,413	4,254,843
Compensated absences	62,544	71,054	133,598
Landfill	674,798		674,798
Conservation loans payable		168,720	168,720
Total noncurrent liabilities	<u>980,817</u>	<u>4,750,893</u>	<u>5,731,710</u>
<b>Total liabilities</b>	<u><b>1,899,240</b></u>	<u><b>6,124,622</b></u>	<u><b>8,023,862</b></u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,076,682	13,971,666	16,048,348
Restricted for			
Debt service		123,760	123,760
Drug fund	33,943		33,943
State street aid	54,938		54,938
Unrestricted	372,466	8,105,972	8,478,438
<b>Total net assets</b>	<u><b>\$ 2,538,029</b></u>	<u><b>\$ 22,201,398</b></u>	<u><b>\$ 24,739,427</b></u>

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

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 507,930	\$ 23,896	\$ 216,262	\$	\$ (267,772)	\$	\$ (267,772)
Public safety	1,081,860	96,447	7,800		(977,613)		(977,613)
Street department	638,031		88,092		(549,939)		(549,939)
Recreation	298,147	22,195			(275,952)		(275,952)
Cemetery	25,130				(25,130)		(25,130)
Library	97,435				(97,435)		(97,435)
Sanitation	391,242	328,103			(63,139)		(63,139)
Total governmental activities	3,039,775	470,641	312,154		(2,256,980)		(2,256,980)
<b>Business-type activities:</b>							
Electric fund	9,766,392	10,135,718				369,326	369,326
Gas fund	2,258,998	2,631,225				372,227	372,227
Water and sewer fund	2,284,796	2,411,682		107,350		234,236	234,236
Rural water fund	741,054	800,907				59,853	59,853
Total business-type activities	15,051,240	15,979,532		107,350		1,035,642	1,035,642
Total	\$ 18,091,015	\$ 16,450,173	\$ 312,154	\$ 107,350	(2,256,980)	1,035,642	(1,221,338)
<b>General Revenues:</b>							
Property taxes					687,321		687,321
Payments in lieu of taxes					197,099		197,099
Sales tax					538,142		538,142
Business taxes					38,896		38,896
Franchise and excise taxes					33,833		33,833
TVA in lieu of taxes					33,626		33,626
Alcoholic beverage taxes					101,614		101,614
State income tax					1,275		1,275
Interest					9,678	53,238	62,916
Miscellaneous					201,388		201,388
Transfers					157,922	(157,922)	
Total general revenues and transfers					2,000,794	(104,684)	1,896,110
Change in net assets					(256,186)	930,958	674,772
Net assets - beginning					2,821,182	22,089,072	24,910,254
Prior period adjustment					(26,967)	(818,632)	(845,599)
Net assets - beginning, restated					2,794,215	21,270,440	24,064,655
<b>Net assets - ending</b>					<b>\$ 2,538,029</b>	<b>\$ 22,201,398</b>	<b>\$ 24,739,427</b>

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

## **FUND FINANCIAL STATEMENTS**

**CITY OF NEWBERN, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2011

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash	\$ 825,195	\$ 107,121	\$ 932,316
Invested funds	209,048		209,048
Taxes receivable	758,823		758,823
Accounts receivable	175,360	16,617	191,977
Allowance for doubtful accounts	(6,545)	(1,500)	(8,045)
Interest receivable	1,482		1,482
Prepayments	31,511		31,511
<b>Total assets</b>	<b>\$ 1,994,874</b>	<b>\$ 122,238</b>	<b>\$ 2,117,112</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 134,909	\$ 33,357	\$ 168,266
Accrued payroll and vacation pay	44,546		44,546
Customer deposits	7,575		7,575
Deferred revenue	758,823		758,823
<b>Total liabilities</b>	<b>945,853</b>	<b>33,357</b>	<b>979,210</b>
 <b>Fund Balances</b>			
Nonspendable			
Prepayments	31,511		31,511
Assigned			
Sanitation	189,256		189,256
Library	15,149		15,149
Industrial park	1,780		1,780
Cemetery	90,034		90,034
Restricted			
State street aid		54,938	54,938
Drug		33,943	33,943
Unassigned	721,291		721,291
<b>Total fund balances</b>	<b>1,049,021</b>	<b>88,881</b>	<b>1,137,902</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,994,874</b>	<b>\$ 122,238</b>	<b>\$ 2,117,112</b>

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

**CITY OF NEWBERN, TENNESSEE**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
June 30, 2011

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

Total fund balances of governmental funds	\$ 1,137,902
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,320,157
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds	60,787
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(980,817)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 2,538,029</u></b>

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

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2011

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Local taxes	\$ 1,392,555	\$	\$ 1,392,555
Licenses and permits	4,800		4,800
Intergovernmental revenue	465,451	85,954	551,405
Fines, forfeitures and penalties	64,818	1,524	66,342
Seized funds		28,000	28,000
Sales	10,850		10,850
Charges for services	404,568		404,568
Contributions	30,247		30,247
Interest	9,678	301	9,979
Other revenue	124,741	2,182	126,923
<b>Total revenues</b>	<b><u>2,507,708</u></b>	<b><u>117,961</u></b>	<b><u>2,625,669</u></b>
<b>Expenditures</b>			
Financial administration	472,541		472,541
Library	85,979		85,979
Police department	923,992		923,992
Public safety		13,928	13,928
Fire department	115,713		115,713
Street department	501,529	113,267	614,796
Cemetery	25,130		25,130
Recreation	288,193		288,193
Debt service	83,045		83,045
Sanitation	376,272		376,272
<b>Total expenditures</b>	<b><u>2,872,394</u></b>	<b><u>127,195</u></b>	<b><u>2,999,589</u></b>
<b>Revenues under expenditures</b>	<b>(364,686)</b>	<b>(9,234)</b>	<b>(373,920)</b>
Other financing sources (uses)			
Operating transfers in	157,922		157,922
<b>Net change in fund balances</b>	<b>(206,764)</b>	<b>(9,234)</b>	<b>(215,998)</b>
Fund balance - July 1, 2010	1,282,752	98,115	1,380,867
Prior period adjustment	(26,967)		(26,967)
Fund balance - July 1, 2010, restated	1,255,785	98,115	1,353,900
<b>Fund balance - June 30, 2011</b>	<b><u>\$ 1,049,021</u></b>	<b><u>\$ 88,881</u></b>	<b><u>\$ 1,137,902</u></b>

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

**CITY OF NEWBERN, TENNESSEE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2011

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

Net change in fund balance of governmental funds	\$ (215,998)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay in the current period was exceeded by depreciation.	(88,886)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(46,141)
Current year principal retirement of long-term debt reported as an expenditure in the general fund.	<u>94,839</u>
Change in net assets of governmental activities	<u>\$ (256,186)</u>

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

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
For the Fiscal Year Ended June 30, 2011

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>			
<b>Local Taxes</b>			
Property taxes	\$ 701,000	\$ 677,384	\$ (23,616)
Property tax interest and penalties	12,000	9,937	(2,063)
In lieu of property taxes	384,500	197,099	(187,401)
Local sales tax	325,000	340,373	15,373
Wholesale beer tax	90,000	98,650	8,650
Business tax	60,000	38,896	(21,104)
Franchise tax	40,000	30,216	(9,784)
Total local taxes	<u>1,612,500</u>	<u>1,392,555</u>	<u>(219,945)</u>
<b>Licenses and Permits</b>			
Beer license	100	100	
Building permits	7,000	4,700	(2,300)
Total licenses and permits	<u>7,100</u>	<u>4,800</u>	<u>(2,300)</u>
<b>Intergovernmental Revenues</b>			
TVA - in lieu of tax	28,000	33,626	5,626
State sales tax	210,000	197,769	(12,231)
State income tax	25,000	1,275	(23,725)
State beer tax	3,000	2,964	(36)
City street and transportation	6,000	2,138	(3,862)
Corporate excise tax	5,000	3,617	(1,383)
Federal grant proceeds	241,500	216,262	(25,238)
Other grant	61,425	(1,425)	(61,425)
State police and fire supplements	19,300	7,800	(11,500)
Total intergovernmental revenues	<u>599,225</u>	<u>465,451</u>	<u>(133,774)</u>
<b>Charges for Services</b>			
Rural fire service	35,000	30,374	(4,626)
Swimming pool charges	18,000	22,195	4,195
Other general government charges	29,500	23,896	(5,604)
Total charges for services	<u>82,500</u>	<u>76,465</u>	<u>(6,035)</u>
<b>Fines, Forfeitures and Penalties</b>			
City court fines and costs	80,000	64,548	(15,452)
Other	100	270	170
Total fines, forfeitures and penalties	<u>80,100</u>	<u>64,818</u>	<u>(15,282)</u>
<b>Interest</b>			
	<u>10,000</u>	<u>8,201</u>	<u>(1,799)</u>
<b>Other Revenues</b>			
Donated funds	2,000		(2,000)
Sale of land and equipment	5,000	3,377	(1,623)
Sale of burial permits	7,500	6,750	(750)
Miscellaneous	107,944	109,033	1,089
Total other revenues	<u>122,444</u>	<u>119,160</u>	<u>(3,284)</u>
<b>Total revenues</b>	<u><b>2,513,869</b></u>	<u><b>2,131,450</b></u>	<u><b>(382,419)</b></u>

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

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND (CONTINUED)**  
For the Fiscal Year Ended June 30, 2011

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>EXPENDITURES</b>			
<b>Financial Administration</b>			
Salaries	132,405	110,888	21,517
Payroll taxes	8,545	7,390	1,155
Hospitalization insurance	16,500	14,150	2,350
Retirement	4,700	3,561	1,139
Workman's compensation	3,000	790	2,210
Taxes and licenses	21,500	6,216	15,284
Postage and box rent	3,000	2,534	466
Radio	200	8	192
Publications	5,050	2,792	2,258
Utilities	11,000	11,954	(954)
Telephone	3,110	3,068	42
Computer	-	966	(966)
Legal services	6,000	20,499	(14,499)
Auditing services	5,800	5,795	5
Data processing services	7,500	5,064	2,436
Repair - equipment	3,000	4,498	(1,498)
Repair - buildings	800	1,518	(718)
Travel expense	3,300	2,168	1,132
Office supplies and materials	5,500	4,585	915
Insurance	5,600	1,601	3,999
Rent	2,500	2,699	(199)
Machinery and equipment	500		500
HOME Grant expense	241,000	215,732	25,268
Miscellaneous	50,240	44,065	6,175
Total financial administration	540,750	472,541	68,209
<b>Police Department</b>			
Salaries	556,000	593,053	(37,053)
Payroll taxes	43,600	44,882	(1,282)
Animal control	10,675	10,675	
Hospitalization insurance	110,000	117,816	(7,816)
Retirement	21,000	20,751	249
Workman's compensation	16,000	12,287	3,713
Insurance	16,500	16,024	476
Utilities	7,800	8,424	(624)
Telephone	12,620	14,500	(1,880)
Data processing services	5,000	8,094	(3,094)
Building repair	2,500	1,991	509
Other repair	9,500	8,689	811
Travel expense	6,000	4,301	1,699
Office supplies and materials	2,500	2,716	(216)
Clothing and uniforms	6,000	6,273	(273)
Operating supplies	2,500	2,080	420
Gas, oil, diesel fuel and grease	21,000	24,784	(3,784)
Capital outlay	22,850	22,352	498
Miscellaneous	6,800	4,300	2,500
Total police department	878,845	923,992	(45,147)

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

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND (CONTINUED)**  
For the Fiscal Year Ended June 30, 2011

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Fire Department</b>			
Salaries	48,500	51,426	(2,926)
Payroll taxes	4,200	4,134	66
Workman's compensation	2,000	980	1,020
Insurance	6,500	9,118	(2,618)
Utilities	8,000	6,797	1,203
Telephone	4,650	6,094	(1,444)
Building repair	3,500	1,268	2,232
Equipment repair	24,000	5,909	18,091
Travel expense	3,000	1,120	1,880
Office supplies and materials	500	402	98
Gas, oil, diesel fuel and grease	3,000	2,349	651
Uniforms	2,250	2600	(350)
Miscellaneous	81,870	17,066	64,804
Total fire department	191,970	115,713	76,257
<b>Street Department</b>			
Salaries	289,500	287,556	1,944
Payroll taxes	21,800	21,962	(162)
Retirement	12,500	12,594	(94)
Utilities	8,000	6,687	1,313
Telephone	3,650	3,491	159
Hospitalization insurance	63,000	65,389	(2,389)
Workman's compensation	18,000	13,492	4,508
Building repair	1,500	296	1,204
Road repair	31,000	31,653	(653)
Equipment repairs	12,500	19,146	(6,646)
Insurance	5,000	4,553	447
Operating supplies	5,500	4,585	915
Gas, oil, diesel fuel and grease	16,800	14,680	2,120
Consumable tools	15,350	15,345	5
Miscellaneous	400	100	300
Total street department	504,500	501,529	2,971
<b>Cemetery</b>			
Salaries	15,000	13,705	1,295
Hospitalization insurance	3,500	3,564	(64)
Retirement	750	682	68
Repair	3,000	5,598	(2,598)
Payroll taxes	1,175	1,024	151
Capital outlay	4,000		4,000
Miscellaneous	715	557	158
Total cemetery	28,140	25,130	3,010

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

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND (CONTINUED)**  
For the Fiscal Year Ended June 30, 2011

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Recreation</b>			
Salaries	116,500	119,996	(3,496)
Payroll taxes	8,650	9,229	(579)
Hospitalization insurance	23,500	22,207	1,293
Retirement	4,900	4,947	(47)
Workman's compensation	5,000	2,409	2,591
Repairs and maintenance	24,700	34,615	(9,915)
Utilities	58,000	61,232	(3,232)
Telephone	2,350	2,451	(101)
Recreation supplies	2,000	2,149	(149)
Concessions	6,500	5,045	1,455
Insurance	13,500	13,339	161
Gas, oil, diesel fuel and grease	3,500	2,468	1,032
Capital outlay	19,000	100	18,900
Miscellaneous	3,950	8,006	(4,056)
Total recreation	<u>292,050</u>	<u>288,193</u>	<u>3,857</u>
<b>Debt Service</b>			
Principal	61,100	69,486	(8,386)
Interest	8,000	13,559	(5,559)
Total debt service	<u>69,100</u>	<u>83,045</u>	<u>(13,945)</u>
<b>Total expenditures</b>	<u>2,505,355</u>	<u>2,410,143</u>	<u>95,212</u>
<b>Revenues over (under) expenditures</b>	<b>8,514</b>	<b>(278,693)</b>	<b>(287,207)</b>
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	68,000	157,922	89,922
Operating transfers out	(55,000)	(47,960)	7,040
	<u>13,000</u>	<u>109,962</u>	<u>96,962</u>
<b>Net change in fund balance</b>	<b>21,514</b>	<b>(168,731)</b>	<b>(190,245)</b>
Fund balance - July 1, 2010	<u>948,500</u>	<u>948,500</u>	
Prior period adjustment		<u>(26,967)</u>	<u>(26,967)</u>
Fund balance - July 1, 2010, restated	<u>948,500</u>	<u>921,533</u>	<u>(26,967)</u>
<b>Fund balance - June 30, 2011</b>	<u><b>\$ 970,014</b></u>	<u><b>\$ 752,802</b></u>	<u><b>\$ (217,212)</b></u>

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

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND (CONTINUED)**  
For the Fiscal Year Ended June 30, 2011

Reconciliation to fund financial statements:

Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary	\$ (168,731)
Revenues and expenditures not included in budgetary statements:	
Sanitation - revenues	329,623
Sanitation - expenditure	(376,272)
Library - revenues	83,355
Library - expenditure	(85,979)
Industrial park - revenues	9
Industrial park - expenditure	
Cemetery - revenues	11,231
Cemetery - expenditure	
Net change in fund balance - (page 18)	<u>\$ (206,764)</u>

Fund balance - budgetary	\$ 752,802
Assets related to sanitation operations	215,389
Liabilities related to sanitation operation	(26,133)
Assets related to library operations	16,101
Liabilities related to library operation	(952)
Assets related to industrial park operations	1,780
Liabilities related to industrial park operation	
Assets related to cemetery operations	90,034
Liabilities related to cemetery operation	
Fund balance - June 30, 2011 (page 18)	<u>\$ 1,049,021</u>

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

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
June 30, 2011

	Electric	Gas	Water and Sewer	Rural Water	Total Enterprise Funds
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 2,123,401	\$ 2,924,890	\$ 948,219	\$ 1,037,293	\$ 7,033,803
Invested funds	501,000				501,000
Accounts receivable (net of allowance for uncollectibles)	798,362	62,363	182,766	78,827	1,122,318
Interest receivable	4,519			79	4,598
Due from other funds	13	699	2,145		2,857
Other receivables	239,454		14,971		254,425
Inventories	149,725	210,220	82,429		442,374
Prepayments	9,419	3,779	6,531	6,298	26,027
<b>Total current assets</b>	<b>3,825,893</b>	<b>3,201,951</b>	<b>1,237,061</b>	<b>1,122,497</b>	<b>9,387,402</b>
<b>Noncurrent assets</b>					
<b>Restricted assets</b>					
Cash and cash equivalents			56,629		56,629
Invested funds			26,131	41,000	67,131
<b>Total restricted assets</b>			<b>82,760</b>	<b>41,000</b>	<b>123,760</b>
<b>Other Assets</b>					
Conservation loans receivable	166,210				166,210
<b>Capital assets</b>					
Land	39,340	8,680	105,671	350	154,041
Buildings and systems	9,408,245	2,291,980	14,748,332	2,429,411	28,877,968
Improvements other than buildings		34,205	224,056	105,648	363,909
Machinery and equipment	963,911	344,238	425,044	280,000	2,013,193
Construction-in-progress	64,926	4,702	254,813	1,536	325,977
Less accumulated depreciation	(4,029,638)	(1,586,891)	(5,644,689)	(1,822,365)	(13,083,583)
<b>Total capital assets</b>	<b>6,446,784</b>	<b>1,096,914</b>	<b>10,113,227</b>	<b>994,580</b>	<b>18,651,505</b>
<b>Total noncurrent assets</b>	<b>6,612,994</b>	<b>1,096,914</b>	<b>10,195,987</b>	<b>1,035,580</b>	<b>18,941,475</b>
<b>Total assets</b>	<b>10,438,887</b>	<b>4,298,865</b>	<b>11,433,048</b>	<b>2,158,077</b>	<b>28,328,877</b>

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

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS (CONTINUED)**  
June 30, 2011

	<u>Electric</u>	<u>Gas</u>	<u>Water and Sewer</u>	<u>Rural Water</u>	<u>Total Enterprise Funds</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 930,904	\$ 150,840	\$ 52,031	\$ 5,281	\$ 1,139,056
Accrued interest payable			35,987	2,769	38,756
Due to other funds	20	8	704	2,125	2,857
Compensated absences payable	27,891	21,429	7,060	14,674	71,054
Other payables		1,729	3,046		4,775
Customer deposits	158,383	3,550	1,725	5,960	169,618
Other current liabilities	14,230			7,294	21,524
Bonds payable - current			149,718	14,450	164,168
Notes payable - current			66,455		66,455
Total current liabilities	<u>1,131,428</u>	<u>177,556</u>	<u>316,726</u>	<u>52,553</u>	<u>1,678,263</u>
<b>Noncurrent liabilities</b>					
Deferred revenues			197,083		197,083
Bonds payable			2,984,178	487,754	3,471,932
Notes payable			611,481		611,481
Conservation loans payable	168,720				168,720
Total noncurrent liabilities	<u>168,720</u>		<u>3,792,742</u>	<u>487,754</u>	<u>4,449,216</u>
<b>Total liabilities</b>	<u><b>1,300,148</b></u>	<u><b>177,556</b></u>	<u><b>4,109,468</b></u>	<u><b>540,307</b></u>	<u><b>6,127,479</b></u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	6,278,064	1,096,914	6,104,312	492,376	13,971,666
Restricted for debt service			82,760	41,000	123,760
Unrestricted	2,860,675	3,024,395	1,136,508	1,084,394	8,105,972
<b>Total net assets</b>	<u><b>\$ 9,138,739</b></u>	<u><b>\$ 4,121,309</b></u>	<u><b>\$ 7,323,580</b></u>	<u><b>\$ 1,617,770</b></u>	<u><b>\$ 22,201,398</b></u>

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

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
For the Fiscal Year Ended June 30, 2011

	<u>Electric</u>	<u>Gas</u>	<u>Water and Sewer</u>	<u>Rural Water</u>	<u>Total Enterprise Funds</u>
<b>Operating revenues</b>					
Water revenue	\$	\$	\$ 2,378,414	\$ 783,400	\$ 3,161,814
Gas revenue		2,616,237			2,616,237
Electric revenue	10,021,774				10,021,774
Rental income	57,907	5,508			63,415
Forfeited discounts	40,859	4,540	4,540	5,107	55,046
Connection fees			3,000	7,800	10,800
Other revenue	15,178	4,940	25,728	4,600	50,446
Total operating revenues	<u>10,135,718</u>	<u>2,631,225</u>	<u>2,411,682</u>	<u>800,907</u>	<u>15,979,532</u>
<b>Operating expenses</b>					
Purchases	8,729,897	1,787,277		181,835	10,699,009
Outside services		6,275	452,117	5,800	464,192
Meter reading expense	18,514	27,741	11,536	46,216	104,007
Customer records and collections	33,877	25,567	30,654	23,734	113,832
Operating expenses	80,066	107,652	87,176	61,353	336,247
Maintenance expenses	207,381	86,529	945,469	152,732	1,392,111
Insurance	102,908	57,036	136,600	62,223	358,767
Administrative and general salaries	43,963	30,751	39,237	30,890	144,841
Office expense	31,072	26,993	29,372	28,289	115,726
Retirement	11,004	8,873		7,858	27,735
Payroll taxes	18,868	16,480	21,969	15,332	72,649
Rent expense	3,908	2,674	23,266	22,282	52,130
Amortization	1,280				1,280
Other expense	148,606	7,835	11,334	5,019	172,794
Property tax equivalent - other government	45,849				45,849
Depreciation	289,199	67,315	315,558	70,722	742,794
Total operating expenses	<u>9,766,392</u>	<u>2,258,998</u>	<u>2,104,288</u>	<u>714,285</u>	<u>14,843,963</u>
<b>Operating income</b>	<u>369,326</u>	<u>372,227</u>	<u>307,394</u>	<u>86,622</u>	<u>1,135,569</u>
<b>Non-operating revenues (expense)</b>					
Interest revenue	17,793	19,317	8,772	7,356	53,238
Interest expense			(180,508)	(26,769)	(207,277)
Bond expense					
Net non-operating revenues (expense)	<u>17,793</u>	<u>19,317</u>	<u>(171,736)</u>	<u>(19,413)</u>	<u>(154,039)</u>
Net income before contributions and transfers	387,119	391,544	135,658	67,209	981,530
Grant proceeds			107,350		107,350
Transfers out - property tax equivalent	(157,922)				(157,922)
<b>Change in net assets</b>	<b>229,197</b>	<b>391,544</b>	<b>243,008</b>	<b>67,209</b>	<b>930,958</b>
Net assets - July 1, 2010	<u>9,583,025</u>	<u>3,729,765</u>	<u>7,225,721</u>	<u>1,550,561</u>	<u>22,089,072</u>
Prior period adjustment	(673,483)		(145,149)		(818,632)
Fund balance - July 1, 2010, restated	<u>8,909,542</u>	<u>3,729,765</u>	<u>7,080,572</u>	<u>1,550,561</u>	<u>21,270,440</u>
<b>Net assets - June 30, 2011</b>	<b><u>\$ 9,138,739</u></b>	<b><u>\$ 4,121,309</u></b>	<b><u>\$ 7,323,580</u></b>	<b><u>\$ 1,617,770</u></b>	<b><u>\$ 22,201,398</u></b>

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

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Fiscal Year Ended June 30, 2011

	Electric	Gas	Water and Sewer	Rural Water	Total Enterprise Funds
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 10,252,540	\$ 3,471,957	\$ 2,412,213	\$ 795,028	\$ 16,931,738
Cash payments to suppliers for goods and services	(9,282,005)	(3,093,428)	(1,897,241)	(617,465)	(14,890,139)
Cash payments to employees for services	(43,963)	(30,751)	(39,237)	(30,890)	(144,841)
Net cash provided by operating activities	926,572	347,778	475,735	146,673	1,896,758
<b>Cash flows from noncapital financing activities</b>					
Grant proceeds			107,350		107,350
Transfers to other funds	(157,922)				(157,922)
Net cash provided (used) by noncapital financing activities	(157,922)		107,350		(50,572)
<b>Cash flows from capital and related financing activities</b>					
Additions to utility plant	(153,646)	(1,912)	(167,584)	4,606	(318,536)
Change in deferred revenues			197,083		197,083
Payments on principal of long-term debt			(615,275)	(13,995)	(629,270)
Interest payments on long-term debt			(171,828)	(26,769)	(198,597)
Proceeds from long-term debt			406,790		406,790
Increase in conservation loans payable	16,108				16,108
Net cash used by capital and related financing activities	(137,538)	(1,912)	(350,814)	(36,158)	(526,422)
<b>Cash flows from investing activities</b>					
Net change in conservation loans receivable	(16,130)				(16,130)
Interest received	18,869	19,317	8,772	7,393	54,351
Net cash provided by investing activities	2,739	19,317	8,772	7,393	38,221
<b>Net increase in cash and cash equivalents</b>	<b>633,851</b>	<b>365,183</b>	<b>241,043</b>	<b>117,908</b>	<b>1,357,985</b>
Cash and cash equivalents - July 1, 2010	1,489,550	2,559,707	763,805	919,385	5,732,447
<b>Cash and cash equivalents - June 30, 2011</b>	<b>\$ 2,123,401</b>	<b>\$ 2,924,890</b>	<b>\$ 1,004,848</b>	<b>\$ 1,037,293</b>	<b>\$ 7,090,432</b>
Unrestricted cash and cash equivalents on deposit	\$ 2,123,401	\$ 2,924,890	\$ 948,219	\$ 1,037,293	\$ 7,033,803
Restricted cash and cash equivalents on deposit			56,629		56,629
<b>Total cash and cash equivalents</b>	<b>\$ 2,123,401</b>	<b>\$ 2,924,890</b>	<b>\$ 1,004,848</b>	<b>\$ 1,037,293</b>	<b>\$ 7,090,432</b>

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

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (Continued)**  
For the Fiscal Year Ended June 30, 2011

**Reconciliation of operating income to cash flows from operating activities:**

	<u>Electric</u>	<u>Gas</u>	<u>Water and Sewer</u>	<u>Rural Water</u>	<u>Total Enterprise Funds</u>
Cash flows from operating activities					
Operating income	\$ 369,326	\$ 372,227	\$ 307,394	\$ 86,622	\$ 1,135,569
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>					
Depreciation and amortization	290,479	67,315	315,558	70,722	744,074
(Increase) decrease in current assets:					
Accounts receivable	316,920	(4,011)	(10,368)	(7,571)	294,970
Other receivables	(212,361)	(240)	4,770		(207,831)
Inventories	9,699	843,985	4,645		858,329
Prepayments	2,564	998	1,484	1,692	6,738
Other assets	(1,280)				(1,280)
Increase (decrease) in current liabilities:					
Accounts payable	139,511	(932,111)	(147,905)	2,491	(938,014)
Customer deposits	9,994	(90)	(60)	(40)	9,804
Other current liabilities	1,720	(295)	217	(7,243)	(5,601)
Total adjustments	<u>557,246</u>	<u>(24,449)</u>	<u>168,341</u>	<u>60,051</u>	<u>761,189</u>
<b>Net cash provided by operating activities</b>	<b><u>\$ 926,572</u></b>	<b><u>\$ 347,778</u></b>	<b><u>\$ 475,735</u></b>	<b><u>\$ 146,673</u></b>	<b><u>\$ 1,896,758</u></b>

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

**CITY OF NEWBERN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

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

The City operates under a Mayor and Board of Aldermen form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public utilities, public improvements, planning and zoning, and general administrative services.

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

**A. Reporting Entity**

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Newbern has no component units.

**B. 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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns

**CITY OF NEWBERN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flow. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

In general, taxes, licenses, federal and state grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The general fund is the City'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 City reports the following major proprietary funds:

The water and sewer fund and rural water fund account for the activities associated with the water distribution system and the activities associated with the City's collection, transportation, treatment and disposal of wastewater.

The electric fund accounts for the activities of the City's electric distribution operations.

The gas fund accounts for the activities of the City's natural gas distribution.

The financial statements of the City are prepared in accordance with generally accepted accounting principles. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements, Accounting Research Bulletins (ARB) and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements issued after November 30, 1989.

**CITY OF NEWBERN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of all of the City's enterprise funds are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. The utility funds recognize income based on cycle billings. This results in recognizing as income the usage through each respective cycle each month, which may not coincide with the last day of the fiscal year. Non-recognition of income from sales as a result of cycle billing is a common industry practice. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The cost of purchased power and water is accrued based on the final meter reading of the fiscal year. This may result in unrecognized expense for the period between the final billing and the end of the fiscal year. This practice is consistent with industry guidelines and does not differ significantly from generally accepted accounting principles.

The financial statements of the Newbern Electric System are prepared in accordance with the provisions of the power contract between the Electric System and the Tennessee Valley Authority and are consistent with the requirements of the Federal Power Commission chart of accounts.

**D. Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less.

State statutes authorize the City to invest in certificates of deposit, obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State's investment pool.

Investments for the City are reported at fair value. The State Local Government Investment Pool is operated in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**CITY OF NEWBERN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**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 noncurrent portion of interfund loans).

Property taxes are levied in October of each year and attach as an enforceable lien on property as of January. The City bills and collects its own property taxes. Tax revenues are recognized when levied to the extent that they result in current receivables. Governmental funds report deferred revenues in connection with taxes receivable for revenues that are not considered to be available to liquidate liabilities of the current period. The City reports an allowance for doubtful accounts which estimates expected uncollectible receivables.

**Inventories and Prepaid Items**

The City takes a physical count of inventory at fiscal year end. Inventories of the proprietary funds are recorded initially in inventory accounts and charged as expenditures when used. Inventories are valued at cost using the moving average method.

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

Certain cash and investment balances of the City are classified as restricted assets on the balance sheet due to debt service and bond requirements.

**Capital Assets**

Capital assets, including property, plant, vehicles, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000. 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's 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. For the year under examination, there were no interest costs capitalized.

Capital assets of the City are depreciated using the straight line method. Capital assets are depreciated over the following useful lives:

Buildings	40 years
Improvements other than buildings	15 - 20 years
Vehicles and equipment	5 years
Furniture and fixtures	7 - 12 years
Infrastructure	25 years

**CITY OF NEWBERN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**Compensated Absences**

All permanent full-time employees of the City accrue vacation leave that must be taken during the following year. Vacation earned is according to length of service. After one year, employees earn five days vacation. Between one and ten years of service earns ten days vacation. After ten years of service, employees earn fifteen days until twenty years of service when twenty days vacation is earned. Sick leave is accumulated at one day per month after the first year of employment. The maximum amount of sick leave that can be accumulated is ninety days.

**Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. 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.

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 debt proceeds received, are reported as debt service expenditures.

**Fund Balance**

Effective July 1, 2010, the City adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of the 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 governmental fund type definitions.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

**Nonspendable fund balance**

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

**Restricted fund balance**

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

**Committed fund balance**

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the Town's highest level of decision-making authority, the Board of Alderman of the City of Newbern. Commitments may be changed or lifted only by the City taking the same formal action that

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imposed the constraint originally (for example: resolution).

**Assigned fund balance**

This classification includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. The Board and its designees (of which there are none) have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or 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.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

**Use of Estimates**

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

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets**

The fund financial statements include a reconciliation between fund equity – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of the \$2,320,157 difference are as follows:

Governmental funds capital assets	\$ 6,558,610
Less: accumulated depreciation	<u>(4,238,453)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 2,320,157</u>

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balance – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures.

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However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation in the current period exceeded capital outlay.” The details of this \$(88,886) difference are as follows:

Capital outlay	\$	9,985
Depreciation expense		<u>(98,871)</u>
Net adjustment to increase net changes in fund equity - total governmental funds to arrive at changes in net assets of governmental activities	\$	<u>(88,886)</u>

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before May 15 of each year, all funds of the City submit requests for appropriations so that a budget may be prepared. Before June 10, the proposed budget is presented to the City board for review. The board holds public hearings and a final budget must be prepared and adopted no later than June 30.

The appropriated budget is prepared by fund and department. The City’s department heads may make transfers of appropriations within a department. Transfers between departments require informing the Mayor and Board of Aldermen. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Under TCA 68-211-874, the City is required to account for its solid waste collection activities in a separate fund. The City accounts for these activities in a separate sanitation fund which does not qualify as a special revenue fund under generally accepted accounting principles. Accordingly, for fund reporting, the sanitation fund is included as a part of the general fund, but for budgetary reporting is not included as a part of the general fund. Page 24 includes a reconciliation of the general fund budgetary reporting to the general fund reporting on page 18 under generally accepted accounting principles.

Expenses in the Sanitation fund exceeded budgeted amounts by \$43,197, expenses in state street aid fund exceeds budget by \$28,267 and expenses in drug fund exceeds budget by \$9,178.

**NOTE 4 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Invested Funds**

**Custodial Credit Risk** – The City’s policies limits deposits and investments to those instruments allowed by applicable state laws as described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City’s agent in the City’s name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at

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Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2011, all bank deposits were fully collateralized or insured.

**B. Receivables**

Receivables as of June 30, 2011 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Electric	Gas	Water and Sewer	Rural Water	Nonmajor and Other Funds	Total
Receivables:							
Property taxes	\$ 758,823	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 758,823
Accounts	175,360	805,908	67,383	187,784	80,332	16,617	1,333,384
Interest	1,482	4,519	-	-	79	-	6,080
Other	-	239,454	-	14,971	-	-	254,425
Gross receivables	935,665	1,049,881	67,383	202,755	80,411	16,617	2,352,712
Less: Allowance for uncollectibles	(6,545)	(7,546)	(5,020)	(5,018)	(1,505)	(1,500)	(27,134)
Net total receivables	<u>\$ 929,120</u>	<u>\$ 1,042,335</u>	<u>\$ 62,363</u>	<u>\$ 197,737</u>	<u>\$ 78,906</u>	<u>\$ 15,117</u>	<u>\$ 2,325,578</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Property taxes receivable	<u>Unavailable</u> <u>\$ 758,823</u>
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**CITY OF NEWBERN, TENNESSEE**  
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**C. Capital Assets**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 328,511	\$ -	\$ -	\$ 328,511
Total capital assets not being depreciated	328,511	-	-	328,511
Capital assets being depreciated				
Buildings	602,761	-	-	602,761
Improvements other than buildings	131,477	-	-	131,477
Machinery and equipment	1,259,549	9,985	-	1,269,534
Infrastructure	4,226,327	-	-	4,226,327
Total capital assets being depreciated	6,220,114	9,985	-	6,230,099
Less accumulated depreciation for:				
Buildings	280,861	17,306	-	298,167
Improvements other than buildings	54,880	11,210	-	66,090
Machinery and equipment	943,968	48,093	-	992,061
Infrastructure	2,859,873	22,262	-	2,882,135
Total accumulated depreciation	4,139,582	98,871	-	4,238,453
Total capital assets being depreciated, net	2,080,532	(88,886)	-	1,991,646
Governmental activities capital assets, net	\$ 2,409,043	\$ (88,886)	\$ -	\$ 2,320,157

**CITY OF NEWBERN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**C. Capital Assets (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Business-type activities					
Capital assets					
not being depreciated					
Land	\$ 154,041	\$ -	\$ -	\$ -	\$ 154,041
Construction in Progress	2,070,772	-	1,068,095	(676,700)	325,977
Total capital assets not being depreciated	<u>2,224,813</u>	<u>-</u>	<u>1,068,095</u>	<u>(676,700)</u>	<u>480,018</u>
Capital assets being depreciated					
Buildings	27,974,693	1,067,494	164,219	-	28,877,968
Improvements other than buildings	363,909	-	-	-	363,909
Machinery and equipment	1,974,253	38,940	-	-	2,013,193
Total capital assets being depreciated	<u>30,312,855</u>	<u>1,106,434</u>	<u>164,219</u>	<u>-</u>	<u>31,255,070</u>
Less accumulated depreciation for:					
Buildings	10,469,147	659,643	164,219	153,173	11,117,744
Improvements other than buildings	261,168	10,845	-	-	272,013
Machinery and equipment	1,617,257	72,306	-	4,263	1,693,826
Total accumulated depreciation	<u>12,347,572</u>	<u>742,794</u>	<u>164,219</u>	<u>157,436</u>	<u>13,083,583</u>
Total capital assets being depreciated, net	<u>17,965,283</u>	<u>363,640</u>	<u>-</u>	<u>(157,436)</u>	<u>18,171,487</u>
Business-type activities capital assets, net	<u>\$ 20,190,096</u>	<u>\$ 363,640</u>	<u>\$ 1,068,095</u>	<u>\$ (834,136)</u>	<u>\$ 18,651,505</u>

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

Governmental activities:	
Sanitation	\$ 3,600
Library	11,456
Police department	29,630
Fire department	20,997
Street department	23,234
Recreation	9,954
Total depreciation expense- governmental activities	<u>\$ 98,871</u>
Business-type activities:	
Electric	\$ 289,199
Gas	67,315
Water and sewer	315,558
Rural Water	70,722
Total depreciation expense - business-type activities	<u>\$ 742,794</u>

**CITY OF NEWBERN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**D. Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of June 30, 2011, is as follows:

Receivable Fund	Payable Fund	Amount
Water and Sewer	Rural Water	\$ 2,125
Water and Sewer	Electric	20
Electric	Gas	8
Electric	Water and Sewer	5
Gas	Water and Sewer	699
Total		<u>\$ 2,857</u>

The outstanding balances between funds are basically due to timing differences between the dates that reimbursable expenditures occur and the payments between the funds are made. The City expects that all of the balances noted will be repaid within the next fiscal year.

The composition of interfund transfers as of June 30, 2011, is as follows:

Transfer From	Transfer To	Amount
Electric	General	\$ 157,922
General	Library	47,960
Total		<u>\$ 205,882</u>

The transfer between Electric and General was for payments in lieu of property tax. The transfer from General to Library was for operating expenses.

**E. Leases**

**Operating Leases**

The City leases three Caterpillar 420D backhoes under cancelable leases. The leases originated as of July 18, 2008 and the total cost for the leases was \$45,000 for the year ended June 30, 2011.

**F. Long-Term Debt**

Long-term debt obligations for the governmental activities as of June 30, 2011, consist of the following general obligation bonds and notes payable:

General obligation bonds:

Municipal Recreation Park and Golf Course – issued January 12, 1974 for \$208,000; interest paid semi-annually at 5%; matures on January 12, 2014; outstanding balance at June 30, 2011 - \$30,620.

Industrial Park Revenue and Tax Bond, Series 1976 – issued May 27, 1977 for \$265,000; interest at 5%; matures on May 27, 2018; outstanding balance at June 30, 2011 - \$78,925.

**CITY OF NEWBERN, TENNESSEE**  
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Fire Hall Bond, Series 1977 – issued August 11, 1977 for \$150,000; interest at 5%; matures on August 11, 2017; outstanding balance at June 30, 2011 - \$46,200.

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds issued in prior years was \$623,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued for various terms with equal amounts of principal maturing each year. All of the above bonds are secured by park and property tax revenues.

Notes payable:

Note payable to Security Bank dated August 13, 2008 for \$24,064; interest at 2.94%; matures on August 14, 2012; secured by title to 2008 Ford Crown Victoria; annual payments of \$6,284; outstanding balance at June 30, 2011 - \$12,031.

Note payable to First Citizens National Bank dated March 26, 2008 for \$184,199; interest at 3.57%; matures on August 8, 2012; secured by title to 2008 Freightliner fire truck; annual payments of \$40,035; outstanding balance at June 30, 2011 - \$75,700.

Changes in long-term liabilities – governmental activities:

Long-term liability activity for the year ended June 30, 2011, is summarized below:

	Balance 6/30/2010	Additions	Reductions	Balance 6/30/2011
Bonds payable	\$ 183,483	\$	\$ 27,738	\$ 155,745
Notes payable	142,021		54,291	87,730
Landfill costs	663,428	24,180	12,810	674,798
Compensated absences	40,583	21,961	-	62,544
Totals	<u>\$ 1,029,515</u>	<u>\$ 46,141</u>	<u>\$ 94,839</u>	<u>\$ 980,817</u>

Long-term debt obligations of the business – type activities as of June 30, 2011, consist of the following revenue bonds and notes payable:

Revenue bonds:

Water and Sewer revenue bonds, Series 1979; issued April 9, 1980 for \$380,000; interest at 5%; matures on January 1, 2020; outstanding balance at June 30, 2011 - \$157,317.

Water and Sewer revenue and tax bonds, Series 2001; issued July 23, 2002 for \$1,620,000; interest at 4.75%; matures on May 31, 2040; payable in monthly installments \$7,695, including interest; outstanding balance at June 30, 2011 - \$1,449,721.

Water and Sewer revenue and tax bonds, Series 2006; issued October 28, 2006 for \$451,000;

**CITY OF NEWBERN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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interest at 4.25%; matures on September 28, 2044; outstanding balance at June 30, 2011 - \$425,696.

Water and Sewer revenue and tax bonds, Series 2006; issued February 18, 2007 for \$199,000; interest at 4.125%; matures on January 18, 2045; outstanding balance at June 30, 2011 - \$188,415.

Water and Sewer revenue and tax bonds, Series 2007; issued November 27, 2006 for \$949,000; interest at 3.90%; matures on December 27, 2007; outstanding balance at June 30, 2011 - \$912,747.

Rural Waterworks System bonds, Series 1994; issued December 1, 1994 for \$670,000; interest at 5.25%; matures on November 1, 2032; outstanding balance at June 30, 2011 - \$502,204.

The government issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The long-term debt is secured by each fund's revenues and is backed by the full faith and credit of the City.

Notes payable:

Note payable to State Revolving Fund, loan number 92-038. The note, dated January 1, 1995, was issued in the original amount of \$1,544,370. Interest at 2.52%; matures on December 30, 2015; secured by water and sewer revenue; payable in monthly installments of \$8,199, including interest; outstanding balance at June 30, 2011 - \$329,213.

Note payable to Security Bank, loan number 120887. The note, dated October 15, 2004, has a fixed interest rate of 4.05% and a maturity date of October 15, 2016. The note is for the principal sum of \$600,000, of which \$200,035 is payable as of June 30, 2011.

Note payable to First Citizens National Bank, loan number 95701. The original note of \$185,000 was dated April 18, 2005, and had a fixed interest rate of 4.70% and a maturity date of April 18, 2006. The note was renewed on March 1, 2006 in the amount of \$258,000 and contains a fixed interest rate of 4.70%. The note is payable in monthly installments of \$2,507, including interest and matures on February 25, 2017. The outstanding balance at June 30, 2011 - \$148,688.

Changes in long-term liabilities – business-type activities:

Long-term liability activity for the year ended June 30, 2011, is summarized below:

	Balance 6/30/2010	Additions	Reductions	Balance 6/30/2011
Bonds payable	\$ 3,706,137	\$	\$ 70,037	\$ 3,636,100
Notes payable	830,379		152,443	677,936
Totals	<u>\$ 4,536,516</u>	<u>\$</u>	<u>\$ 222,480</u>	<u>\$ 4,314,036</u>

**CITY OF NEWBERN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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Annual debt service requirements to maturity for general obligations bonds are as follows:

Year Ending June 30,	Principal	Interest
2012	\$ 28,832	\$ 7,893
2013	30,273	6,452
2014	29,393	4,898
2015	21,253	3,350
2016	22,316	2,287
2017	23,678	1,172
	<u>\$ 155,745</u>	<u>\$ 26,052</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30,	Principal	Interest
2012	\$ 73,028	\$ 169,201
2013	76,593	165,636
2014	80,332	161,898
2015	84,253	157,977
2016	88,368	153,862
2017-2021	485,484	700,472
2022-2026	517,906	580,588
2027-2031	656,843	441,650
2032-2036	608,773	290,846
2037-2041	653,490	137,863
2042-2046	311,030	28,751
	<u>\$ 3,636,100</u>	<u>\$ 2,988,744</u>

Annual debt service requirements to maturity for notes payable are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	43,213	3,107	157,595	21,197
2013	44,517	1,585	162,813	15,979
2014			168,230	10,563
2015			124,321	5,217
2016			45,974	1,862
2017			19,003	349
	<u>\$ 87,730</u>	<u>\$ 4,692</u>	<u>\$ 677,936</u>	<u>\$ 55,167</u>

**CITY OF NEWBERN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**G. Other information**

**Risk Management**

The City joined the Tennessee Municipal League (TML), which is a public entity risk pool established to provide insurance coverage to local governments in Tennessee. The City pays an annual premium to TML for general liability, law enforcement liability, errors or omissions liability, automobile liability and auto physical damage, worker's compensation and employee liability, and property insurance. As of July 1, 1996, the TML can no longer assess additional amounts to members. The TML reinsures through commercial insurance companies for claims in excess of set limits. The City continues to carry commercial insurance for all other risks of loss. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Retirement Plans**

The following presents details of the City of Newbern's retirement plans.

The City of Newbern has the City of Newbern Employees' Retirement Plan, a defined contribution plan, administered by Edward Jones. All City employees who have attained one year of service with the City are covered by the plan. The plan provides for vesting of employee benefits beginning with 20% after two years of service and progressing to 100% after six years of service. Contributions are made in such amounts as the Board of Mayor and Aldermen, in its sole discretion, shall elect to contribute for the plan year. Employer contributions are allocated to each participant's account in the proportion that the participant's compensation for the plan year bears to total compensation for the plan year for all qualified participants. Benefits are payable in a lump-sum payment or installments upon retirement, death, disability, or other severance. During the year ended June 30, 2011, the City made retirement contributions to the plan totaling \$87,076.

Effective July 1, 2005, the City of Newbern has adopted an additional Section 457(b) defined contribution retirement plan that is administered by Edward Jones. All city employees who have reached one year of service are eligible to participate. The employees participate in the plan by making voluntary salary reduction contributions and the plan does not specify a maximum or minimum age requirement for eligibility. The contributions that are made by the participants are credited to a Plan account and the accounts of the participants are held under a group annuity contract for the exclusive benefit of the participants and beneficiaries. The participant accounts are valued on a daily basis and the participants have the opportunity to direct their investments into a number of investment options. During the year ended June 30, 2011, only employee contributions were made to this plan.

**Closure and Postclosure Care Costs**

State and federal laws and regulations require certain maintenance and monitoring functions to be performed with regard to all landfills after the landfills are closed. These costs are required to be estimated and accrued during the life of the landfill. Since the City did not fund its liability concerning these costs, an agreement dated August 18, 1999, entitled Contract in Lieu of Performance Bond was negotiated with the Department of Environment and Conservation and the Department of Finance and Administration of the State of Tennessee. The total penal sum of this agreement is \$475,138. In the event the City fails to follow the postclosure plan, the Commissioner of the Department of Environment and Conservation may collect any amount up to the total penal sum from any funds that otherwise would be disbursed from the State of Tennessee to the City.

**CITY OF NEWBERN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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In addition, the City is required to accrue anticipated closure and postclosure costs for its operating landfill over the next forty years. These costs have been estimated at \$967,207. Beginning in the year ended June 30, 1998, one-fortieth of this amount, or \$24,180, will be accrued each year. The balance accrued, as of June 30, 2011 is \$674,798. The City signed an agreement dated August 18, 1999, entitled Contract in Lieu of Performance Bond with the Department of Environment and Conservation and Department of Finance and Administration of the State of Tennessee. The agreement is to properly operate the solid waste disposal facility and to follow the applicable closure and postclosure plan. The total penal sum of this agreement is \$967,207.

**Concentration of Credit Risk**

The City bills local property owners for property taxes and utility and sanitation customers for services rendered. At June 30, 2011, these customers and property owners are indebted to the City as noted on the balance sheets of the respective funds. The majority of the property owners and customers consist of local individuals and businesses. Assessed property is subject to foreclosure in the event taxes are not paid. Property and improvements owned by Jimmy Dean Foods (JDF), a division of Sara Lee Corporation, represent 18.63% of the assessed valuation and Siegel Roberts Inc. represents 13.98% of the assessed valuation.

Utility services are sold to customers with no collateral required, although customer deposits are required in certain situations. Approximately 22% of electric and 20% of sewer service charges are derived from JDF. Approximately 20% of electric, 19% of gas, and 5% of water and sewer service charges are derived from Siegel-Roberts. Approximately 10% of electric, 19% of gas, and 5% of water and sewer service charges are derived from Eaton Corporation.

**NOTE 5 – CONTINGENCIES**

During the current fiscal year and the subsequent period through the date of our audit report we are aware of the following lawsuits filed against the City. The first lawsuit involves a worker's compensation claim filed by an employee with claims of sustaining injuries on the job. The second lawsuit relates to a claim filed by an individual seeking damages in connection with allegations that City took possession of his property in an improper manner. The City is actively defending its position in each of the cases and the ultimate outcomes of the lawsuits are unknown at this time.

During a prior fiscal year the City was placed under a State directive and was issued mandated actions relating to the operation of the Sewer system. The State directive developed as a result of excessive flows of surface drainage waters into the sanitary sewer collection system. As of June 30, 2011 the City has incurred costs in connection with the refurbishment of existing sewer lines. The City will continue to make improvements to the existing sewer lines with anticipated future costs for this project to be less than one million dollars. The City anticipates that compliance with the mandated actions will be achieved within a couple of years.

During a prior year, a local industry and the City's largest gas customer informed the City that it would cease using natural gas and use propane, which it intends to buy elsewhere. This company has ceased payment of the monthly base service rate assessed by the Gas system. Failing a negotiated settlement, the share of costs heretofore borne by this company would require reallocation among the remaining rate payers.

**CITY OF NEWBERN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 – PRIOR PERIOD ADJUSTMENT**

A prior period adjustment in the amount of \$26,967 was made to the net assets of the governmental activities at the beginning of the current year due to payroll accruals that were omitted in the prior year. A prior period adjustment was also made in the Electric fund in the amount of \$673,483 due to an amount of \$676,700 that was recorded in construction in progress that was written off during the year, an amount of \$187,633 that was adjusted in accumulated depreciation, and an accounts receivable of \$190,850 that was not recorded in the prior period. A prior period adjustment of \$145,149 was made in the Water & Sewer fund due to billing errors in prior periods. This amount plus billing error in current year of \$51,933 have been recorded in deferred revenue.

## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF NEWBERN, TENNESSEE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2011**

**Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for a particular purpose.

**State Street Aid Fund**

The fund is used to account for the City's share of motor fuel tax revenues that are legally restricted to maintenance and safety of streets and sidewalks.

**Drug Fund**

The drug fund is a state mandated fund. It receives as operating revenues  $\frac{1}{2}$  of drug related fines and 100% from the sale of property seized in drug related arrests. The proceeds are used to combat drug activity and purchase law enforcement equipment.

**CITY OF NEWBERN, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2011

	<u>Special Revenue Funds</u>		<u>Combined Totals</u>
	<u>State Street Aid</u>	<u>Drug</u>	
<b>ASSETS</b>			
Cash	\$ 73,178	\$ 33,943	\$ 107,121
Accounts receivable (net of allowance for uncollectibles)	15,117		15,117
<b>Total assets</b>	<b>\$ 88,295</b>	<b>\$ 33,943</b>	<b>\$ 122,238</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Liabilities</b>			
Accounts payable	\$ 33,357		\$ 33,357
<b>Fund balance</b>			
Restricted	54,938	33,943	88,881
Total fund balance	54,938	33,943	88,881
<b>Total liabilities and fund balance</b>	<b>\$ 88,295</b>	<b>\$ 33,943</b>	<b>\$ 122,238</b>

*See independent auditor's report.*

**CITY OF NEWBERN, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS**  
For the Fiscal year Ended June 30, 2011

	<u>Special Revenue Funds</u>		
	<u>State Street Aid</u>	<u>Drug</u>	<u>Combined Totals</u>
<b>Revenue</b>			
Refuse collection	\$	\$	\$
Intergovernmental revenue	85,954		85,954
Fines, forfeitures and penalties		1,524	1,524
Seized funds		28,000	28,000
Sales			
Contributions			
Interest	301		301
Miscellaneous local revenue		2,182	2,182
<b>Total revenue</b>	<u>86,255</u>	<u>31,706</u>	<u>117,961</u>
<b>Expenditures</b>			
Public safety		13,928	13,928
Roads and streets	113,267		113,267
Library			
Sanitation			
<b>Total expenditures</b>	<u>113,267</u>	<u>13,928</u>	<u>127,195</u>
<b>Revenue over (under) expenditures</b>	<b>(27,012)</b>	<b>17,778</b>	<b>(9,234)</b>
Fund balance - July 1, 2010	<u>81,950</u>	<u>16,165</u>	<u>98,115</u>
<b>Fund balance - June 30, 2011</b>	<u><b>\$ 54,938</b></u>	<u><b>\$ 33,943</b></u>	<u><b>\$ 88,881</b></u>

*See independent auditor's report.*

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**STATE STREET AID FUND**  
For the Fiscal Year Ended June 30, 2011

	<b>Original Budgeted Amounts</b>	<b>Original and Final Budgeted Amounts</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
<b>Revenue</b>				
State gasoline and motor fuel tax	\$ 85,000	\$ 85,000	\$ 85,954	\$ 954
Interest	700	700	301	(399)
Total revenue	<u>85,700</u>	<u>85,700</u>	<u>86,255</u>	<u>555</u>
<b>Expenditures</b>				
Street lighting	40,000	40,000	50,453	(10,453)
Street paving	35,000	35,000	32,850	2,150
Materials	10,000	10,000	20,252	(10,252)
Miscellaneous			9,712	(9,712)
Total expenditures	<u>85,000</u>	<u>85,000</u>	<u>113,267</u>	<u>(28,267)</u>
<b>Revenue over (under) expenditures</b>	<b>700</b>	<b>700</b>	<b>(27,012)</b>	<b>(27,712)</b>
Fund balance - July 1, 2010	<u>81,950</u>	<u>81,950</u>	<u>81,950</u>	
<b>Fund balance - June 30, 2011</b>	<b><u>\$ 82,650</u></b>	<b><u>\$ 82,650</u></b>	<b><u>\$ 54,938</u></b>	<b><u>\$ (27,712)</u></b>

*See independent auditor's report.*

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**DRUG FUND**  
For the Fiscal Year Ended June 30, 2011

	<b>Original and Final Budgeted Amounts</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
<b>Revenue</b>			
Fines, forfeitures and penalties	\$ 7,000	\$ 1,524	\$ (5,476)
Seized funds		28,000	28,000
Miscellaneous	2,500	2,182	(318)
Total revenue	<u>9,500</u>	<u>31,706</u>	<u>22,206</u>
<b>Expenditures</b>			
Equipment maintenance	1,500	14,162	(12,662)
Confidential funds	1,000		1,000
Telephone	500	(284)	784
Miscellaneous	1,750	50	1,700
Total expenditures	<u>4,750</u>	<u>13,928</u>	<u>(9,178)</u>
<b>Revenue over (under) expenditures</b>	<b>4,750</b>	<b>17,778</b>	<b>13,028</b>
Fund balance - July 1, 2010	16,165	16,165	
<b>Fund balance - June 30, 2011</b>	<b><u>\$ 20,915</u></b>	<b><u>\$ 33,943</u></b>	<b><u>\$ 13,028</u></b>

*See independent auditor's report.*

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**SANITATION FUND**

For the Fiscal Year Ended June 30, 2011

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenue</b>			
Refuse collection	\$ 327,000	\$ 328,103	\$ 1,103
Miscellaneous	2,500	553	(1,947)
Interest	4,000	967	(3,033)
Total revenue	<u>333,500</u>	<u>329,623</u>	<u>(3,877)</u>
<b>Expenditures</b>			
Salaries	12,000	12,346	(346)
Payroll taxes	1,000	945	55
Hospitalization	3,000	3,100	(100)
Retirement	550	594	(44)
Utilities and telephone	1,550	1,881	(331)
Tipping fees	5,500	5,451	49
Legal	500		500
Waste disposal	202,000	299,082	(97,082)
Equipment maintenance	3,500	554	2,946
Landfill maintenance	500	405	95
Operating supplies	3,500	3,158	342
Insurance	1,000	6,206	(5,206)
Equipment rental	5,000	15,494	(10,494)
Management fee	12,000	12,000	
Debt service - principal	51,000	15,030	35,970
Capital outlay	30,000		30,000
Miscellaneous	475	26	449
Total expenditures	<u>333,075</u>	<u>376,272</u>	<u>(43,197)</u>
<b>Revenue over (under) expenditures</b>	<b>425</b>	<b>(46,649)</b>	<b>(47,074)</b>
Fund balance - July 1, 2010	<u>235,905</u>	<u>235,905</u>	
<b>Fund balance - June 30, 2011</b>	<b><u>\$ 236,330</u></b>	<b><u>\$ 189,256</u></b>	<b><u>\$ (47,074)</u></b>

*See independent auditor's report.*

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**LIBRARY FUND**

For the Fiscal Year Ended June 30, 2011

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenue</b>			
County appropriation	\$ 30,246	\$ 30,247	\$ 1
Interest	250	120	(130)
Other	2,100	5,028	2,928
Total revenue	<u>32,596</u>	<u>35,395</u>	<u>2,799</u>
<b>Expenditures</b>			
Salaries	55,100	46,299	8,801
Payroll taxes	3,500	3,542	(42)
Hospitalization	6,700	7,402	(702)
Retirement	1,300	1,438	(138)
Utilities and telephone	10,000	10,416	(416)
Equipment maintenance	750	450	300
Building maintenance	7,500	1,650	5,850
Computer	3,000	5,690	(2,690)
Office supplies	2,750	311	2,439
Operating supplies	4,050	843	3,207
New books	6,000	3,459	2,541
Insurance	500	4,014	(3,514)
Miscellaneous	2,785	465	2,320
Total expenditures	<u>103,935</u>	<u>85,979</u>	<u>17,956</u>
<b>Revenue over (under) expenditures</b>	<b>(71,339)</b>	<b>(50,584)</b>	<b>20,755</b>
<b>Other financing sources</b>			
Operating transfers in	55,000	47,960	(7,040)
<b>Change in fund balance</b>	<b>(16,339)</b>	<b>(2,624)</b>	<b>13,715</b>
Fund balance - July 1, 2010	17,773	17,773	
<b>Fund balance - June 30, 2011</b>	<b><u>\$ 1,434</u></b>	<b><u>\$ 15,149</u></b>	<b><u>\$ 13,715</u></b>

See independent auditor's report.

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**INDUSTRIAL PARK FUND**  
For the Fiscal Year Ended June 30, 2011

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenue</b>			
Interest	\$	\$ 9	\$ 9
<b>Revenue over (under) expenditures</b>		<b>9</b>	<b>9</b>
Fund balance - July 1, 2010	1,771	1,771	
<b>Fund balance - June 30, 2011</b>	<b>\$ 1,771</b>	<b>\$ 1,780</b>	<b>\$ 9</b>

*See independent auditor's report.*

**CITY OF NEWBERN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**CEMETERY FUND**  
For the Fiscal Year Ended June 30, 2011

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue</b>			
Sale of cemetery lots	\$ 17,600	\$ 10,850	\$ (6,750)
Interest		381	381
Total revenue	<u>17,600</u>	<u>11,231</u>	<u>(6,369)</u>
 <b>Revenue over (under) expenditures</b>	 17,600	 11,231	 (6,369)
 Fund balance - July 1, 2010	 <u>78,803</u>	 <u>78,803</u>	
 <b>Fund balance - June 30, 2011</b>	 <u><b>\$ 78,803</b></u>	 <u><b>\$ 90,034</b></u>	 <u><b>\$ (6,369)</b></u>

*See independent auditor's report.*

**CITY OF NEWBERN, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2011

Grantor/Pass-through Grantor Program Title	Federal CFDA #	Contract Number	Balance July 1, 2010	Cash Receipts	Expenditures	Balance June 30, 2011
USDA/Rural Development Waste Water Treatment Plant Project	10.760		\$	\$ 500	\$ 500	\$
Dept of Economic and Comm Development Community Development Block Grant	14.228	GG-07-02060-00		106,850	106,850	
U.S. Department of Housing and Urban Development Tennessee Housing Development Agency HOME Grant	14.229	HM-09-31		216,262	216,262	
<b>Total</b>			<u>\$</u>	<u>\$ 323,612</u>	<u>\$ 323,612</u>	<u>\$</u>

Note: All Federal financial assistance programs utilize the accrual basis of accounting

*See independent auditor's report.*

**CITY OF NEWBERN, TENNESSEE**  
**SCHEDULE OF STATE GRANT ACTIVITY**  
For the Fiscal Year Ended June 30, 2011

Grantor/Pass-through Grantor Program Title	Project or Grant Number	Balance 7/1/10	Cash Receipts	Expenditures	Balance 6/30/11
Local Park and Recreation Fund	GG-09-26637-00	\$ (9,714)	\$ 9,714	\$ -	\$ -

*See independent auditor's report.*

**CITY OF NEWBERN, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
 June 30, 2011

<u>Year</u>	<u>Balance July 1, 2010</u>	<u>Additions/ Adjustments</u>	<u>Collections/ Adjustments</u>	<u>Balance June 30, 2011</u>
2010	\$	\$ 647,862	\$ 614,682	\$ 33,180
2009	32,416	(57)	18,858	13,501
2008	13,262	(18)	4,938	8,306
2007	10,557		131	10,426
2006	491		100	391
2005	547		10	537
2004	182			182
2003	250		5	245
2002	400			400
2001	449			449
	<u>58,554</u>	<u>647,787</u>	<u>638,724</u>	<u>67,617</u>
Ad valorem	1,914	38,376	38,363	1,927
	<u>\$ 60,468</u>	<u>\$ 686,163</u>	<u>\$ 677,087</u>	<u>69,544</u>
2011 levy tax due October 1, 2011 considered as deferred revenue				<u>689,279</u>
				<u>\$ 758,823</u>

All delinquent taxes through 2009 tax years have been filed with Chancery Court.

<u>Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate per \$100</u>	<u>Levy</u>
2010	\$ 43,020,142	1.51	\$ 649,012
2009	45,647,616	1.51	689,279
2008	45,787,306	1.51	691,276
2007	47,379,763	1.51	714,776
2006	38,210,693	1.62	619,024
2005	39,324,172	1.62	637,052
2004	38,715,613	1.55	600,092
2003	36,422,536	1.55	564,516
2002	35,875,659	1.55	556,037
2001	32,087,334	1.55	520,624
2000	32,087,334	1.24	404,187

*See independent auditor's report.*

**CITY OF NEWBERN, TENNESSEE**  
**SCHEDULE OF UTILITY RATES IN FORCE**  
 June 30, 2011

**GAS RATES - 1,366 customers**

**Urban residential and small commercial**

Minimum charge		\$	10.16000	
All gas cost			0.95050	per CCF

**Rural residential and small commercial**

Minimum charge			12.25000	
All gas cost			0.95050	per CCF

**Large commercial and industrial**

Maximum usage	0 - 10,000		208.78000	
Maximum usage	10,001 - 20,000		892.07000	
Maximum usage	20,001 - 60,000		1,520.31000	
Maximum usage	60,001 - up		7,889.29000	
Add all gas cost to above			0.95050	per CCF

**WATER RATES**

**City rates - 1,390 customers**

3/4" Meter	Base charge per month	6.60
	Water charge per 1000 gallons	3.05
1" Meter	Base charge per month	9.80
	Water charge per 1000 gallons	3.05
2" Meter	Base charge per month	12.10
	Water charge per 1000 gallons	3.05
4" Meter	Base charge per month	16.50
	Water charge per 1000 gallons	3.05
5" Meter	Base charge per month	30.80
	Water charge per 1000 gallons	3.05

**Rural rates - 1,994 customers**

3/4" Meter	Base charge per month	7.42
	Water charge per 1000 gallons	5.18
1" Meter	Base charge per month	12.72
	Water charge per 1000 gallons	5.18
2" Meter	Base charge per month	14.84
	Water charge per 1000 gallons	5.18
4" Meter	Base charge per month	23.32
	Water charge per 1000 gallons	5.18

**SEWER RATES - 1,290 customers**

The sewer charge is \$5.53 per 1,000 gallons of water used or actual sewer meter readings.

*See independent auditor's report.*

**CITY OF NEWBERN, TENNESSEE**  
**SCHEDULE OF UTILITY RATES IN FORCE (Continued)**  
June 30, 2011

ELECTRIC RATES - 1,752 customers

Residential

Customer charge per delivery point per month	\$	5.38000	
Energy charge:			
First 1,100 kWh		0.89420	per kWh
Over 1,100 kWh		0.77360	per kWh

Commercial - (less than 50 KW demand)

Customer charge per delivery point per month	\$	9.50000	
Energy charge:			
First 1,500 kWh		0.10396	per kWh
Over 1,500 kWh		0.08711	per kWh

Commercial or industrial - (51 to 1,000 KW demand)

Customer charge per delivery point per month	\$	55.00000	
Energy charge:			
First 15,000 kWh		0.08711	per kWh
Over 15,000 kWh		0.05759	per kWh
Demand charge:			
First 50 KW		No charge	
Next 950 KW		13.17000	per KW

Commercial or industrial - (1,000 to 5,000 KW demand)

Customer charge per delivery point per month	\$	200.00000	
Energy charge per kWh		0.05934	per kWh
Demand charge:			
First 1,000 KW		12.65000	per KW
Up to 1,500 KW		9.65000	per KW
Up to 2,500 KW		9.65000	per KW

Seasonal time-of-use (TDHUD): TDMSA Class 68 (1,000 to 5,000 KW demand)

Customer charge: \$1,500 per delivery point per month			
Administrative fee: \$350.00			
Energy charge: Onpeak		0.08011	per kWh
Offpeak first 425 hours		0.04685	per kWh
Offpeak next 195 hours		0.02874	per kWh
Offpeak additional kwh		0.01337	per kWh

Seasonal demand & energy: SMSB Class 2 (5,000 to 15,000 KW demand)

Customer charge per delivery point per month	\$	1,500.00000	
Administrative fee: \$350.00			
Energy charge:		0.04170	per kWh
Demand charge		18.22000	per kWh

*See independent auditor's report.*

**CITY OF NEWBERN, TENNESSEE**  
**SCHEDULE OF UTILITY RATES IN FORCE (Continued)**  
 June 30, 2011

Outdoor lighting		0.06381	per kWh
Energy charge per kWh			
Traffic lighting		2.50000	
Customer charge per delivery point per month		0.06381	
Energy charge per kWh			
Security lighting	per month		
175 Mercury vapor	per month	7.17000	
400 Mercury vapor	per month	13.95000	
100 High pressure sodium	per month	6.80000	
250 High pressure sodium		11.57000	

*See independent auditor's report.*

**CITY OF NEWBERN, TENNESSEE**  
**SCHEDULE OF UNACCOUNTED FOR WATER - UNAUDITED**  
 June 30, 2011

*(All amounts in gallons)*

<b>A</b>	<b>Water Treated and Purchased:</b>		
B	Water pumped (potable)	367,143,000	
C	Water purchased	0	
<b>D</b>	<b>Total water treated and purchased</b>		<b>367,143,000</b>
	(Sum lines B and C)		
<b>E</b>	<b>Accounted for Water:</b>		
F	Water sold	266,618,500	
G	Metered for consumption (in house usage)	0	
H	Fire department(s) usage	445,000	
I	Flushing	1,081,300	
J	Tank cleaning/filling	1,300,000	
K	Street cleaning	41,000	
L	Bulk sales	0	
M	Water bill adjustments	0	
<b>N</b>	<b>Total accounted for water</b>		<b>269,485,800</b>
	(Sum lines F thru M)		
<b>O</b>	<b>Unaccounted for water</b>		<b>97,657,200</b>
	(Line D minus line N)		
<b>P</b>	<b>Percent unaccounted for water</b>		<b>26.599%</b>
	(Line O divided by line D times 100)		
<b>Q</b>	Other (explain)		See below
	Explain other:	Used at Wastewater Treatment plant	725,000

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

*See independent auditor's report.*

**CITY OF NEWBERN, TENNESSEE**  
**SCHEDULE OF PRINCIPAL TAXPAYERS**  
 June 30, 2011

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2010 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Siegel Roberts	Manufacturing	\$ 3,603,361	9.37%
Eaton	Manufacturing	3,526,578	9.17%
Security Bank	Bank	1,323,808	3.44%
Briggs & Stratton	Manufacturing	1,263,265	3.28%
Sara Lee Corp	Manufacturing	925,131	2.40%
Hayes Big Star	Grocer	840,700	2.19%
Flash Market	Convenience Store	615,200	1.60%
Honda	Manufacturing	575,132	1.49%
General Motors/Siegel Roberts	Manufacturing	398,795	1.04%
Royal Guard	Manufacturing	304,865	0.79%
		<u>\$ 13,376,835</u>	<u>34.77%</u>

*See independent auditor's report.*

**CITY OF NEWBERN, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS - ALL FUNDS**  
**BY INDIVIDUAL ISSUE**  
June 30, 2011

Year Ending June 30,	RURAL WATER FUND				WATER AND SEWER FUND							
	Rural Waterworks Revenue Bonds- Series 1994		Water and Sewer Revenue Bonds- Series 1979		Water and Sewer Revenue Bond Anticipation Note and Revenue Tax Bonds-Series 2001		Water and Sewer Revenue and Tax Bonds-Series 2006 Overrun		Water and Sewer Revenue and Tax Bonds-Series 2006			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2012	\$ 14,450	\$ 26,314	\$ 14,534	\$ 7,997	\$ 24,005	\$ 68,335	\$ 2,653	\$ 7,726	\$ 5,957	\$ 17,986		
2013	15,227	25,537	15,261	7,270	25,170	67,170	2,765	7,614	6,215	17,728		
2014	16,046	24,718	16,024	6,507	26,392	65,948	2,881	7,498	6,485	17,459		
2015	16,909	23,855	16,825	5,706	27,673	64,667	3,002	7,377	6,766	17,178		
2016	17,818	22,946	17,666	4,865	29,017	63,323	3,129	7,251	7,059	16,884		
2017	18,777	21,987	18,550	3,981	30,425	61,915	3,260	7,119	7,365	16,578		
2018	19,787	20,977	19,477	3,054	31,902	60,438	3,397	6,982	7,684	16,259		
2019	20,851	19,913	20,451	2,080	33,451	58,889	3,540	6,839	8,017	15,926		
2020	21,972	18,792	18,529	1,342	35,075	57,265	3,689	6,691	8,364	15,579		
2021	23,154	17,610			36,778	55,562	3,844	6,536	8,727	15,216		
2022	24,399	16,365			38,564	53,777	4,005	6,374	9,105	14,838		
2023	25,711	15,053			40,436	51,904	4,174	6,206	9,500	14,444		
2024	27,094	13,670			42,399	49,941	4,349	6,030	9,911	14,032		
2025	28,551	12,213			44,457	47,883	4,532	5,847	10,341	13,602		
2026	30,087	10,677			46,615	45,725	4,723	5,657	10,789	13,154		
2027	31,705	9,059			48,879	43,461	4,921	5,458	11,257	12,687		
2028	33,410	7,354			51,251	41,089	5,128	5,251	11,744	12,199		
2029	35,207	5,557			53,740	38,600	5,344	5,036	12,253	11,690		
2030	37,101	3,663			56,348	35,991	5,568	4,811	12,785	11,159		
2031	39,096	1,668			59,084	33,256	5,802	4,577	13,339	10,605		
2032	4,852	94			61,953	30,387	6,046	4,333	13,917	10,027		
2033					64,960	27,380	6,300	4,079	14,520	9,423		
2034					68,114	24,226	6,565	3,814	15,149	8,794		
2035					71,421	20,919	6,841	3,538	15,806	8,138		
2036					74,888	17,452	7,129	3,251	16,490	7,453		
2037					78,524	13,816	7,429	2,951	17,205	6,738		
2038					82,336	10,004	7,741	2,639	17,951	5,992		
2039					86,333	6,007	8,066	2,313	18,729	5,214		
2040					79,531	1,829	8,405	1,974	19,540	4,403		
2041							8,759	1,621	20,387	3,556		
2042							9,127	1,253	21,271	2,672		
2043							9,511	869	22,193	1,751		
2044							9,910	469	23,154	789		
2045							5,880	82	5,721	42		
	<u>\$ 502,204</u>	<u>\$ 318,022</u>	<u>\$ 157,317</u>	<u>\$ 42,802</u>	<u>\$ 1,449,721</u>	<u>\$ 1,217,159</u>	<u>\$ 188,415</u>	<u>\$ 160,066</u>	<u>\$ 425,696</u>	<u>\$ 370,195</u>		

See independent auditor's report.

**CITY OF NEWBERN, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS - ALL FUNDS (Continued)**  
**BY INDIVIDUAL ISSUE**  
June 30, 2011

Year Ending June 30,	Water and Sewer Revenue and Tax Bonds-Series 2007		First Citizens Bank Loan No. 95701		Security Bank Loan No. 120887		Water and Sewer Revenue SFR 92-038		Total Business Type Long-term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 11,429	\$ 40,843	\$ 23,562	\$ 6,519	\$ 42,893	\$ 7,430	\$ 91,140	\$ 7,248	\$ 230,623	\$ 190,398
2013	11,955	40,317	24,694	5,387	44,663	5,660	93,456	4,932	239,406	181,615
2014	12,504	39,768	25,880	4,201	46,506	3,818	95,844	2,544	248,562	172,461
2015	13,078	39,194	27,123	2,958	48,425	1,899	48,773	360	208,574	163,194
2016	13,679	38,593	28,426	1,656	17,548	206			134,342	155,724
2017	14,307	37,965	19,003	349					111,687	149,894
2018	14,965	37,307							97,212	145,017
2019	15,652	36,620							101,962	140,267
2020	16,371	35,901							104,000	135,570
2021	17,123	35,149							89,626	130,073
2022	17,910	34,362							93,983	125,716
2023	18,733	33,539							98,554	121,146
2024	19,593	32,679							103,346	116,352
2025	20,493	31,779							108,374	111,324
2026	21,435	30,837							113,649	106,050
2027	22,420	29,852							119,182	100,517
2028	23,449	28,823							124,982	94,716
2029	24,527	27,745							131,071	88,628
2030	25,653	26,619							137,455	82,243
2031	26,832	25,440							144,153	75,546
2032	28,065	24,207							114,833	69,048
2033	29,354	22,918							115,134	63,800
2034	30,702	21,570							120,530	58,404
2035	32,113	20,159							126,181	52,754
2036	33,588	18,684							132,095	46,840
2037	35,131	17,141							138,289	40,646
2038	36,745	15,527							144,773	34,162
2039	38,433	13,839							151,561	27,373
2040	40,199	12,073							147,675	20,279
2041	42,046	10,226							71,192	15,403
2042	43,977	8,295							74,375	12,220
2043	45,997	6,275							77,701	8,895
2044	48,111	4,161							81,175	5,419
2045	50,321	1,951							61,922	2,075
2046	15,857	142							15,857	142
	<u>\$ 912,747</u>	<u>\$ 880,500</u>	<u>\$ 148,688</u>	<u>\$ 21,070</u>	<u>\$ 200,035</u>	<u>\$ 19,013</u>	<u>\$ 329,213</u>	<u>\$ 15,084</u>	<u>\$ 4,314,036</u>	<u>\$ 3,043,911</u>

See independent auditor's report.

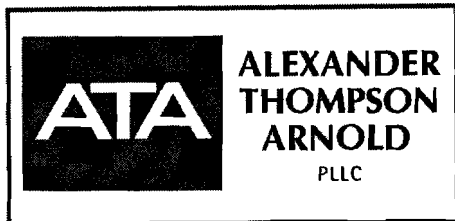
**CITY OF NEWBERN, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS - ALL FUNDS (Continued)**  
**BY INDIVIDUAL ISSUE**  
 June 30, 2011

**GOVERNMENTAL**

Year Ending June 30,	Municipal Recreation Park and Golf Course Bonds - Series 1974		Industrial Park Revenue and Tax Bonds - Series 1976		Fire Hall and Tax Bonds - Series 1977		Note Payable Security Bank		Note Payable First Citizens Bank		Total Governmental Type Long-term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 10,472	\$ 1,650	\$ 11,722	\$ 3,988	\$ 6,638	\$ 2,255	\$ 5,926	\$ 359	\$ 37,287	\$ 2,748	\$ 72,045	\$ 11,000
2013	10,996	1,126	12,308	3,402	6,969	1,924	6,104	182	38,413	1,403	74,790	8,037
2014	9,152	536	12,923	2,787	7,318	1,575					29,393	4,898
2015			13,569	2,141	7,684	1,209					21,253	3,350
2016			14,248	1,462	8,068	825					22,316	2,287
2017			14,155	750	9,523	422					23,678	1,172
	<u>\$ 30,620</u>	<u>\$ 3,312</u>	<u>\$ 78,925</u>	<u>\$ 14,530</u>	<u>\$ 46,200</u>	<u>\$ 8,210</u>	<u>\$ 12,030</u>	<u>\$ 541</u>	<u>\$ 75,700</u>	<u>\$ 4,151</u>	<u>\$ 243,475</u>	<u>\$ 30,744</u>

See independent auditor's report.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



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**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**

Honorable Mayor and Board of Aldermen  
City of Newbern  
Newbern, 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 City of Newbern, Tennessee (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Newbern'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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. They are 08-02 and 07-01. 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.

### Compliance And Other Matters

As part of obtaining reasonable assurance about whether the City of Newbern'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 Findings 11-01 and 08-03.

City of Newbern's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, City Council, the State of Tennessee Comptroller's Office, Division of Municipal 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.

*Alexander Thompson Arnold PLLC*

Dyersburg, Tennessee  
February 17, 2012

**CITY OF NEWBERN, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2011

**Significant Deficiencies**

08-02 Segregation of Duties

Condition: The City currently maintains two cash drawers that are used by all City Hall employees to handle cash received from customers relating to the City services that are provided. By having only two cash drawers we noted a lack of segregation of duties and accountability relating to the operation of the cash drawers.

Criteria: Adequate segregation of duties is important in order to facilitate controls and maintain adequate safeguards over City assets.

Effect: Without the proper segregation and accountability, the City could incur losses with respect to the potential for misappropriation of cash transactions.

Recommendation: The City should review all policies and procedures with respect to the operations of the cash drawers used to conduct City business. The City should consider maintaining separate cash drawers for each employee involved in handling cash transactions in order to segregate the activities and responsibilities and strengthen internal controls.

Response: The City will review its current practices and develop a plan to strengthen internal control.

07-01 Inventory Management

Condition: The City has encountered inventory adjustments to reconcile the subsidiary ledgers with the inventory reports as provided by the various utility departments. In performing our audit procedures we have noted that adequate safeguards and controls are not in place to protect the inventory from unauthorized use.

Criteria: Internal controls are important in any organization in order to properly safeguard the City's assets.

Effect: Without the proper controls and safeguards, the City could incur losses in the area of inventory that may be undetected.

Recommendation: The City should review all policies and procedures with respect to inventory controls and verify that safeguards are in place to prevent unauthorized use. The City should also work to closely monitor and account for inventory used on City projects to minimize any differences between inventory reports and subsidiary ledgers.

Response: Management has spoken to warehouse personnel and has reinforced the importance of proper inventory reconciliation. Data will be entered monthly to allow for a true picture of warehouse inventory.

**CITY OF NEWBERN, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2011

**Compliance and Other Matters**

11-01 Cash Receipts (Noncompliance)

Condition: While testing cash receipts it was determined that there were instances during the year where receipts were not deposited within three business days.

Criteria: TCA 6-56-111 requires all cash receipts to be deposited in the bank within three days of collection.

Effect: When the cash receipt process has the noted problems, it leaves the Town susceptible to misappropriation of funds.

Recommendation: We recommend that all monies received by the Town be deposited in the bank within three days of receipt.

Response: The City feels this was an isolated incident but will ensure deposits are made within three days.

08-03 Budget Exceeded - Material

Condition: During the year ended June 30, 2011, expenditures exceeded appropriations in the Sanitation fund by \$43,197, in the State Street Aid fund by \$28,267 and in the Drug fund by \$9,178.

Criteria: TCA 6-56-205 states that "the governing body shall not make any appropriations in excess of estimated available funds, except to provide for an actual emergency threatening the health, property, or lives of inhabitants of the municipality and declared by a two-thirds (2/3) vote of all members of the governing body present, when there is a quorum".

Effect: Expenditures were not properly authorized by the City's board and state law was not followed relating to the budgeting of expenditures.

Recommendation: We recommend that expenditures be compared to the budget on a regular basis and that the budget be amended when necessary, so that all expenditures are adequately approved within the City's budgeting process.

Response: Sanitation fund was exceeded due to increases in waste disposal and tipping fees. In the future the City will amend all budgets in order to comply with state statutes.

**CITY OF NEWBERN, TENNESSEE  
DISPOSITION OF PRIOR YEAR FINDINGS  
For the Fiscal Year Ended June 30, 2011**

- 08-02 Segregation of Duties - repeated
- 08-03 Budget Exceeded - repeated
- 07-01 Inventory Management - repeated