

**TOWN OF GIBSON, TENNESSEE**

Annual Financial Report

For the Year Ended June 30, 2017

# TOWN OF GIBSON, TENNESSEE

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# INTRODUCTORY SECTION

**TOWN OF GIBSON, TENNESSEE**

Officials of the Town of Gibson, Tennessee

June 30, 2017

<u>Name</u>	<u>Title</u>
Elected Officials:	
Chris Houck	Mayor (June 13, 2017-June 30, 2017)
Tony Black	Mayor (July 1, 2017 – June 12, 2017)
Billy Loflin	Aldersperson
Clyde Frye	Aldersperson
Josh Meals	Aldersperson
Jeremy Morris	Aldersperson
Jim Hill	Aldersperson
Chris Houck	Aldersperson (July 1- June 13, 2017)
Management:	
Anne Tubbs	Town Recorder and CMFO (July 1, 2017 thru June 13, 2017)

# FINANCIAL SECTION

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

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

**Independent Auditor's Report**

Mayor and Board of Aldermen of the  
Town of Gibson, Tennessee  
Gibson, Tennessee

**Report on the Financial Statements**

We were engaged to audit the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the Town of Gibson, Tennessee as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents. Because of the matter described in the Disclaimer of Opinion paragraph, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Because of the matters described in the basis for Disclaimer of Opinion paragraph, however; I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the matters described in the basis for Disclaimer of Opinion paragraph, however; I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

## Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Disclaimer
Business-Type Activities	Disclaimer
General Fund	Disclaimer
State Street Aid Fund	Disclaimer
Drug Fund	Disclaimer
Water and Sewer Fund	Disclaimer

### **Basis for Disclaimer of Opinion on the Opinion Units**

The accounting and related records for the Governmental Activities and the General Fund, State Street Aid Fund, and the Drug Fund, were not sufficient to allow me to express an opinion on these financial statements. The accounting and related records for the business-type activities and the Water and Sewer Fund, were not sufficient to allow me to express an opinion on these financial statements.

### **Disclaimer of Opinions**

I was engaged to audit, and have issued a Disclaimer of Opinion on the Governmental Activities and the General Fund, State Street Aid, and the Drug Fund. I was engaged to audit, and have issued a Disclaimer of Opinion on the Business-type activities and the Water and Sewer fund. Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

### **Other Matters -Required Supplementary Information**

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



**Other Matters -Other Information**

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Introductory Section and the Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Introductory Section and the Supplementary Information (except for the Schedule of Unaccounted for Water) have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by me. I was engaged to audit the above listed information in accordance with auditing standards generally accepted in the United States of America. However, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the above-mentioned information. Accordingly, I do not express an opinion on the information listed in this paragraph.

The Schedule of Unaccounted for Water has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated December 31, 2018 on the consideration of the Town of Gibson's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of 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* in considering the entity's internal control over financial reporting and compliance.

Jah R Poole, CPA

December 31, 2018

MANAGEMENT'S  
DISCUSSION AND  
ANALYSIS

## TOWN OF GIBSON, TENNESSEE

### Management's Discussion and Analysis

As management of the Town of Gibson, Tennessee (the Town) we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Town. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

#### **Financial Highlights:**

The assets of the Town of Gibson exceeded its liabilities at the close of the most recent fiscal year by \$1,281,326. Of this amount, \$103,286 (unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total Net Position decreased by \$20,435 as revenues decreased by \$3,336 due to decreased program revenues. Expenses decreased by \$130,319 as the Town had decreased public safety and public works related expenses in the General Government. The Town made capital purchases of \$130,561.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$151,881, a decrease of \$124,463 in comparison to the prior year. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$109,756 or 24% of the total general fund expenditures.

The Town's business -like activities total Net Position increased by \$142,046 due to increased capital contributions during the current year.

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

This discussion and analysis is intended to serve as an introduction to the Town of Gibson's basic financial statements. The Town's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

The Statement of Net Position presents information on all the Town's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

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

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

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

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

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the funds all of which are considered to be major funds. The Town of Gibson 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 financial statements can be found on pages 14-20 of this report. 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 26-36 of this report.

**Financial Analysis of the Financial Statements--Government-Wide Financial Analysis**

As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Gibson, assets exceeded liabilities by \$1,281,326 at the close of the most recent fiscal year.

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

**Town of Gibson's Net Position-2017**

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 119,275	76,101
Internal balances	92,241	(92,241)
Capital assets	<u>223,795</u>	<u>1,058,403</u>
Total assets	435,311	1,042,263
Long-term debt	112,586	7,585
Other liabilities	<u>14,468</u>	<u>23,656</u>
Total liabilities	127,054	31,241
Deferred Inflows of Resources:	37,953	0
Net Position:		
Net investment in capital assets	111,209	1,050,818
Restricted	16,013	0
Unrestricted	<u>143,082</u>	<u>(39,796)</u>
Total Net Position	\$ 270,304	1,011,022

**Town of Gibson's Net Position-2016**

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 327,215	(44,271)
Capital assets	<u>282,504</u>	<u>974,547</u>
Total assets	609,719	930,276
Long-term debt	113,261	-
Other liabilities	<u>19,249</u>	<u>61,300</u>
Total liabilities	132,510	61,300
Deferred Inflows of Resources:	44,424	0
Net Position:		
Net Investment in capital assets	156,441	947,148
Restricted	81,279	-
Unrestricted	<u>195,065</u>	<u>(78,172)</u>
Total Net Position	\$ 432,785	868,976

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

**Governmental Funds**

The focus of the Town of Gibson's governmental funds is to provide information on near-term inflows, outflows and balances of resources. Such information is useful in assessing the Town's financing requirements in particular, unassigned fund balance may serve as a useful measure to a government's net resources available for spending at the end of the fiscal year. The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$109,756. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24% of total general fund expenditures.

**Business- Type Activities**

The Town's business -like activities total Net Position increased by \$142,046 due to decreased expenditures during the current year.

## Comparison of revenues and expenses 2017 and 2016

	<u>2017</u>	<u>2016</u>	Change Between <u>Years</u>
Revenues:			
Program revenues:			
Charges for services	350,549	482,523	(131,974)
Operating grants and contributions	18,555	32,323	(13,768)
Capital grants and contributions	127,247	0	127,247
General revenues:			
Property taxes	42,735	40,464	2,271
Sales taxes	67,453	55,413	12,040
Beer taxes	12,270	11,773	497
Other state shared taxes	11,190	10,101	1,089
Other	12,437	13,175	(738)
Total revenues	<u>\$642,436</u>	<u>\$645,772</u>	<u>(\$3,336)</u>
Expenses:			
General government	237,543	292,185	(54,642)
Police department	197,750	275,327	(77,577)
Fire department	50,822	16,283	34,539
Highways and streets	20,790	40,239	(19,449)
Water and Sewer	155,966	169,156	(13,190)
Total expenses	<u>\$662,871</u>	<u>\$793,190</u>	<u>(\$130,319)</u>
Increases in Net Position	<u>(20,435)</u>	<u>(147,418)</u>	<u>126,983</u>

The assets of the Town of Gibson exceeded its liabilities at the close of the most recent fiscal year by \$1,281,326. Of this amount, \$103,286 (unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total Net Position decreased by \$20,435 as revenues decreased by \$3,336 due to decreased program revenues. Expenses decreased by \$130,319 as the Town had decreased public safety and public works related expenses in the General Government. The Town made capital purchases of \$130,561.

## Governmental Budgetary Highlights

The Town exceeded two of its departmental budgets during the year. See page 21-25 for further information.

### Capital Assets

The Town of Gibson's investment in capital assets from its governmental activities at June 30, 2017, amounts to \$223,795 (net of accumulated depreciation) and its business-type activities amounts to \$1,058,403. This investment in capital assets is in land, buildings, improvements, machinery and equipment.

#### Town of Gibson's Capital Assets - 2017

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvements	\$649,220	56,419
Equipment/Utility system	<u>465,719</u>	<u>2,071,692</u>
Less accumulated depreciation	(891,144)	(1,069,708)
Net Capital Assets	<u>\$223,795</u>	<u>1,058,403</u>

#### Town of Gibson's Capital Assets - 2016

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvements	\$649,220	56,419
Equipment/Utility system	<u>729,048</u>	<u>1,944,931</u>
Less accumulated depreciation	(1,095,764)	(1,026,803)
Net Capital Assets	<u>\$282,504</u>	<u>974,547</u>

Additional information on the Town of Gibson's capital assets can be found in the notes to the financial statements section of this report.

### Long-term Debt

The Town has governmental loans for street improvements \$53,098 and equipment of \$59,488 and loans for utility improvements totaling \$7,585. All loans are paying as scheduled.



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

In the 2017-2018 budget, General fund revenues and user revenues are budgeted to increase from the 2016-2017 budget year primarily due to increases in the local revenues. User charges are budgeted to increase. The Town's budget has benefited by an increasing commercial and retail base producing increased local receipts.

All of these factors were considered in preparing the Town's budget for the 2017-2018 fiscal year.

## **Requests for Information**

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

Town of Gibson  
2204 Gibson Square  
Gibson, TN. 38338

# BASIC FINANCIAL STATEMENTS

TOWN OF GIBSON, TENNESSEE

Statement of Net Position

June 30, 2017

<u>Assets:</u>	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Cash and cash equivalents	62,025	59,698	121,723
Receivables	57,250	16,305	73,555
Prepaid insurance	0	98	98
Internal Balances	92,241	(92,241)	0
Capital assets not being depreciated	0	198,875	198,875
Capital assets, net of accumulated depreciation	223,795	859,528	1,083,323
Total Assets	<u>435,311</u>	<u>1,042,263</u>	<u>1,477,574</u>
 Liabilities, Deferred Inflows, and Net Position			
<u>Liabilities:</u>			
Accounts payable	14,468	10,693	25,161
Accrued expenses	0	868	868
Customer deposits	0	12,095	12,095
Long-term debt			
Due within one year	17,062	7,585	24,647
Due in more than one year	95,524	0	95,524
Total Liabilities	<u>127,054</u>	<u>31,241</u>	<u>158,295</u>
 Deferred Inflow of Resources - property taxes current year	 <u>37,953</u>	 <u>0</u>	 <u>37,953</u>
 Net Position:			
Net Investment in Capital Assets	111,209	1,050,818	1,162,027
Restricted- State Street Aid	6,403	0	6,403
Restricted- Drug Fund	9,610	0	9,610
Unrestricted	143,082	(39,796)	103,286
Total Net Position	<u>270,304</u>	<u>1,011,022</u>	<u>1,281,326</u>

See accompanying notes to financial statements.

TOWN OF GIBSON, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2017

Function/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Government Activities:							
General government	237,543	17,937	1,800	0	(217,806)	0	(217,806)
Police department	197,750	161,847	0	0	(35,903)	0	(35,903)
Fire department	50,822	0	2,880	0	(47,942)	0	(47,942)
Highways and streets	20,790	0	13,875	0	(6,915)	0	(6,915)
Total Governmental Activities	<u>506,905</u>	<u>179,784</u>	<u>18,555</u>	<u>0</u>	<u>(308,566)</u>	<u>0</u>	<u>(308,566)</u>
Business - type Activities:							
Water and Sewer	155,966	170,765	0	127,247	0	142,046	142,046
Total Business Type Activities	<u>155,966</u>	<u>170,765</u>	<u>0</u>	<u>127,247</u>	<u>0</u>	<u>142,046</u>	<u>142,046</u>
Total	<u>662,871</u>	<u>350,549</u>	<u>18,555</u>	<u>127,247</u>	<u>(308,566)</u>	<u>142,046</u>	<u>(166,520)</u>
General Revenues:							
Property taxes					32,986	0	32,986
Public utility taxes					9,749	0	9,749
Sales taxes					67,453	0	67,453
Business taxes					10,115	0	10,115
Beer taxes					12,270	0	12,270
State income tax					1,075	0	1,075
Other					12,437	0	12,437
Total general revenues					<u>146,085</u>	<u>0</u>	<u>146,085</u>
Changes in Net Position					<u>(162,481)</u>	<u>142,046</u>	<u>(20,435)</u>
Net Position - beginning of year					432,785	868,976	1,301,761
Net Position - ending of year					<u>270,304</u>	<u>1,011,022</u>	<u>1,281,326</u>

See accompanying notes to financial statements.

FUND FINANCIAL  
STATEMENTS

**TOWN OF GIBSON, TENNESSEE**

**Balance Sheet**

**Governmental Funds**

**June 30, 2017**

<u>Assets</u>	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	<u>\$48,050</u>	<u>\$4,365</u>	<u>\$9,610</u>	<u>\$62,025</u>
Accounts receivable:				
Other governments	10,045	2,038	0	12,083
Property taxes receivable	<u>45,167</u>	<u>0</u>	<u>0</u>	<u>45,167</u>
	55,212	2,038	0	57,250
Due from other funds	<u>92,241</u>	<u>0</u>	<u>0</u>	<u>92,241</u>
 Total Assets	 <u><u>\$195,503</u></u>	 <u><u>\$6,403</u></u>	 <u><u>\$9,610</u></u>	 <u><u>\$211,516</u></u>
 <u>Liabilities, Deferred Inflows and Fund Balance</u>				
Liabilities:				
Accounts payable	<u>\$14,468</u>	<u>0</u>	<u>0</u>	<u>\$14,468</u>
 Total Liabilities	 <u>14,468</u>	 <u>0</u>	 <u>0</u>	 <u>14,468</u>
Deferred Inflow of Resources:				
Deferred current property taxes	37,953	0	0	37,953
Deferred delinquent property taxes	<u>7,214</u>	<u>0</u>	<u>0</u>	<u>7,214</u>
Total Deferred Inflow of Resources	45,167	0	0	45,167
Fund balance:				
Restricted	0	6,403	9,610	16,013
Assigned - fire	10,969	0	0	10,969
Assigned - park	15,143	0	0	15,143
Unassigned	<u>109,756</u>	<u>0</u>	<u>0</u>	<u>109,756</u>
Total Fund Balance	<u>135,868</u>	<u>6,403</u>	<u>9,610</u>	<u>151,881</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u><u>\$195,503</u></u>	<u><u>\$6,403</u></u>	<u><u>\$9,610</u></u>	<u><u>\$211,516</u></u>

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

**TOWN OF GIBSON, TENNESSEE**

**Reconciliation of the Balance Sheet to the Statement of Net Position  
of Governmental Activities**

**June 30, 2017**

Amounts reported for fund balance - total governmental funds	\$ 151,881
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term debt not recorded in the governmental funds	(112,586)
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds	7,214
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	<u>223,795</u>
Net Position of governmental activities	\$ <u><u>270,304</u></u>

See accompanying notes to financial statements.

**TOWN OF GIBSON, TENNESSEE**

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

**For the Year Ended June 30, 2017**

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
Taxes	48,307	0	0	48,307
Intergovernmental	87,141	13,875	0	101,016
Fines and fees	177,697	0	2,087	179,784
Miscellaneous	15,317	0	0	15,317
Total Revenues	\$328,462	\$13,875	\$2,087	\$344,424
<b>Expenditures:</b>				
<b>Current:</b>				
General government	239,969	0	0	239,969
Police department	191,836	0	2,487	194,323
Fire department	7,865	0	0	7,865
Highway and streets	0	6,550	0	6,550
<b>Capital outlay:</b>				
Drug fund	0	0	3,800	3,800
<b>Debt service:</b>				
Principal	8,321	5,156	0	13,477
Interest	1,192	1,711	0	2,903
Total Expenditures	\$449,183	\$13,417	\$6,287	\$468,887
Excess (deficiency) of revenues over expenditures	(120,721)	458	(4,200)	(124,463)
Fund Balance, Beginning of year	256,589	5,945	13,810	276,344
Fund Balance, End of Year	\$135,868	\$6,403	\$9,610	\$151,881

See accompanying notes to financial statements.



TOWN OF GIBSON, TENNESSEE

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

For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds:	\$	(124,463)
Amounts reported for governmental activities in the statement of net position are different because:		
Principal repayments are recorded as debt service expense in the governmental funds. These amounts reduce long-term debt in the government-wide financial statements.		13,477
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		7,214
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Acquisition of capital assets		3,800
Depreciation expense		<u>(62,509)</u>
Change in Net Position of governmental activities	\$	<u>(162,481)</u>

See accompanying notes to financial statements.

**TOWN OF GIBSON, TENNESSEE**

**Statement of Net Position**

**Enterprise (Water and Sewer) Fund**

**June 30, 2017**

Assets

Current Assets:

Cash and cash equivalents	\$59,698
Customer accounts receivable, net of allowance of \$1,999	16,305
Prepaid insurance	98
Total Current Assets	<u>76,101</u>

Capital Assets:

Utility plant in service	2,128,111
Less accumulated depreciation	(1,069,708)
Total Capital Assets, Net	<u>1,058,403</u>

Total Assets \$1,134,504

Liabilities and Net Position

Current Liabilities (payable from current assets):

Accounts payable	\$10,693
Accrued expenses	868
Due to other funds	92,241
Current portion of long-term debt	7,585
Total Current Liabilities (payable from current assets)	<u>111,387</u>

Other Liabilities:

Customer deposits	12,095
Total Other Liabilities	<u>12,095</u>

Total Liabilities \$123,482

Net Position:

Net Investment in Capital Assets	1,050,818
Unrestricted	(39,796)

Total Net Position \$1,011,022

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

**TOWN OF GIBSON, TENNESSEE**

**Statement of Revenues, Expenses  
and Changes in Net Position**

**Enterprise (Water and Sewer) Fund**

**For the Year Ended June 30, 2017**

Operating Revenues:	
Metered sales	\$167,794
Miscellaneous	<u>2,971</u>
Total Operating Revenues	<u>170,765</u>
Operating Expenses:	
Wages	48,710
Employee benefits	5,407
Repairs and maintenance	29,246
Office expense	1,564
Dues and fees	1,200
Utilities	17,745
Professional services	8,894
Depreciation	42,905
Miscellaneous	<u>23</u>
Total Operating Expenses	<u>155,694</u>
Operating income (loss)	<u>15,071</u>
Nonoperating Revenues (Expenses):	
Interest expense	<u>(272)</u>
Total Nonoperating Revenues (Expenses)	<u>(272)</u>
Capital contributions	<u>127,247</u>
Net change in position	142,046
Net Position, July 1, 2016	<u>868,976</u>
Net Position, June 30, 2017	<u><u>\$1,011,022</u></u>

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

**TOWN OF GIBSON, TENNESSEE**

**Statement of Cash Flows**

**Proprietary Fund Type**

**Water and Sewer Fund**

**For the Year Ended June 30, 2017**

Cash Flows from Operating Activities:	
Cash received from customers	170,765
Cash paid to suppliers	(75,808)
Cash paid to employees	(54,117)
Net Cash Provided (Used) by Operating Activities	<u>40,840</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(126,761)
Payments of interest expense	(272)
Capital contributions	127,247
Payments of principal on long-term debt	(19,814)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(19,600)</u>
Cash Flows from Investing Activities:	
Interest received	0
Net Cash Flows Provided (Used) from Investing Activities:	<u>0</u>
Net Change in Cash	21,240
Cash and Cash Equivalents, July 1, 2016	<u>38,458</u>
Cash and Cash Equivalents, June 30, 2017	<u>59,698</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	15,071
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	42,905
Change in assets (increase) decrease:	
Accounts receivable	(429)
Prepaid insurance	(98)
Change in liabilities increase (decrease):	
Accounts payable	(10,314)
Accrued expenses	(26)
Due from other funds	(6,364)
Customer deposits	95
Net Cash Provided (Used) by Operating Activities	<u>40,840</u>

See accompanying notes to financial statements.

TOWN OF GIBSON, TENNESSEE

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

General Fund

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Taxes:				
Property taxes	\$38,300	\$38,300	\$32,986	(5,314)
Public utility tax	\$5,600	\$5,600	5,281	(319)
Business taxes	8,500	8,500	10,040	1,540
Total Taxes	<u>52,400</u>	<u>52,400</u>	<u>48,307</u>	<u>(4,093)</u>
Intergovernmental:				
TVA in lieu	4,000	4,000	4,468	468
Local sales tax	23,500	23,500	34,765	11,265
Local beer tax	12,000	12,000	12,079	79
State sales tax	33,000	33,000	32,688	(312)
State income tax	500	500	1,075	575
Grants	6,200	6,200	0	(6,200)
State supplement	0	0	1,800	1,800
State beer tax	0	0	191	191
Corporate excise tax	300	300	75	(225)
Total Intergovernmental Revenue	<u>79,500</u>	<u>79,500</u>	<u>87,141</u>	<u>7,641</u>
Fines and fees:				
Garbage collections	40,000	40,000	17,937	(22,063)
City court	350,000	350,000	159,760	(190,240)
Total Fines and Fees	<u>390,000</u>	<u>390,000</u>	<u>177,697</u>	<u>(212,303)</u>
Miscellaneous:				
Donations- Fire department	0	0	2,880	2,880
Insurance recovery	1,000	1,000	4,000	3,000
Sale of equipment	0	0	5,847	5,847
Miscellaneous	7,900	7,900	2,590	(5,310)
Total Miscellaneous	<u>8,900</u>	<u>8,900</u>	<u>15,317</u>	<u>6,417</u>
Total Revenues	<u>530,800</u>	<u>530,800</u>	<u>328,462</u>	<u>(202,338)</u>

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

**TOWN OF GIBSON, TENNESSEE**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**  
**General Fund**  
**For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Expenditures:				
General Government:				
Current:				
Wages	99,700	99,700	95,039	(4,661)
Employee benefits	23,000	23,000	3,741	(19,259)
Utilities	24,500	24,500	26,251	1,751
Vehicle costs	9,500	9,500	7,404	(2,096)
Professional services	23,500	23,500	18,075	(5,425)
Repair and maintenance	23,500	23,500	7,004	(16,496)
Supplies	11,500	11,500	9,930	(1,570)
Dues	1,200	1,200	785	(415)
Office expense	11,600	11,600	3,291	(8,309)
Insurance	34,500	34,500	34,017	(483)
Garbage collection	30,500	30,500	34,285	3,785
Other	2,100	2,100	147	(1,953)
	<u>295,100</u>	<u>295,100</u>	<u>239,969</u>	<u>(55,131)</u>
Capital outlay	6,400	6,400	0	(6,400)
Debt Service	3,040	3,040	1,479	(1,561)
Total General Government	<u>304,540</u>	<u>304,540</u>	<u>241,448</u>	<u>(63,092)</u>

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

**TOWN OF GIBSON, TENNESSEE**

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

**General Fund**

**For the Year Ended June 30, 2017**

Public Safety:

Police Department:

Current:

Salaries	130,000	130,000	121,626	(8,374)
Payroll taxes	17,000	17,000	8,982	(8,018)
Employee benefits	21,600	21,600	18,395	(3,205)
Training and travel	1,000	1,000	257	(743)
Professional services	3,000	3,000	8,832	5,832
Supplies	30,300	30,300	14,475	(15,825)
Vehicle expenses	16,500	16,500	9,419	(7,081)
Towing charges	0	0	8,245	8,245
Miscellaneous	11,450	11,450	1,605	(9,845)
	<u>230,850</u>	<u>230,850</u>	<u>191,836</u>	<u>(39,014)</u>
Capital outlay	0	0	0	0
Total Police Department	<u>230,850</u>	<u>230,850</u>	<u>191,836</u>	<u>(39,014)</u>

Fire Department:

Current:

Volunteer firemen	2,000	2,000	3,070	1,070
Supplies	3,000	3,000	584	(2,416)
Utilities	5,000	5,000	2,291	(2,709)
Repair and maintenance	2,000	2,000	1,682	(318)
Miscellaneous	150	150	238	88
	<u>12,150</u>	<u>12,150</u>	<u>7,865</u>	<u>(4,285)</u>
Debt service	11,195	11,195	8,034	(3,161)
Capital outlay	1,000	1,000	0	(1,000)
Total Fire Department	<u>24,345</u>	<u>24,345</u>	<u>15,899</u>	<u>(8,446)</u>
Total Public Safety	<u>230,850</u>	<u>230,850</u>	<u>207,735</u>	<u>(23,115)</u>

Total Expenditures	<u>559,735</u>	<u>559,735</u>	<u>449,183</u>	<u>(110,552)</u>
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Excess (deficiency) of Revenues over Expenditures	(28,935)	(28,935)	(120,721)	(91,786)
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Fund Balance, July 1, 2016	256,589	256,589	256,589	0
Fund Balance, June 30, 2017	<u>\$227,654</u>	<u>\$227,654</u>	<u>\$135,868</u>	<u>(91,786)</u>

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

**TOWN OF GIBSON, TENNESSEE**

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

**State Street Aid Fund**

**For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Intergovernmental:				
Gasoline .03 tax	1,000	1,000	2,254	1,254
Gasoline 1989 tax	1,000	1,000	1,214	214
Gasoline and motor fuel	8,500	8,500	9,606	1,106
Special Petroleum	500	500	801	301
Total Revenues	11,000	11,000	13,875	2,875
Expenditures:				
Streets:				
Supplies	1,000	1,000	3,868	2,868
Repair and maintenance	3,000	3,000	2,682	(318)
	4,000	4,000	6,550	2,550
Debt service	7,000	6,867	6,867	0
Total Streets	11,000	10,867	13,417	2,550
Excess (deficiency) of revenues over expenditures	0	133	458	325
 Fund Balance, July 1, 2016	 5,945	 5,945	 5,945	 -
Fund Balance, June 30, 2017	\$5,945	\$6,078	\$6,403	325

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



TOWN OF GIBSON, TENNESSEE

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

Drug Fund

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Fines	3,500	3,500	2,087	(1,413)
Total Revenues	<u>3,500</u>	<u>3,500</u>	<u>2,087</u>	<u>(1,413)</u>
Expenditures:				
Streets:				
Supplies	0	0	2,487	2,487
Capital outlay	<u>0</u>	<u>0</u>	<u>3,800</u>	<u>3,800</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>6,287</u>	<u>6,287</u>
Excess (deficiency) of revenues over expenditures	3,500	3,500	(4,200)	(7,700)
Fund Balance, July 1, 2016	<u>13,810</u>	<u>13,810</u>	<u>13,810</u>	<u>-</u>
Fund Balance, June 30, 2017	<u><u>\$17,310</u></u>	<u><u>\$17,310</u></u>	<u><u>\$9,610</u></u>	<u><u>(7,700)</u></u>

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

# NOTES TO THE FINANCIAL STATEMENTS

# TOWN OF GIBSON, TENNESSEE

## Notes to Financial Statements

June 30, 2017

### (1) Summary of Significant Accounting Policies

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

#### Reporting Entity:

In evaluating the Town as a reporting entity, management follows all applicable GASB statements and has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. The Town (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town has no component units at yearend.

#### Accounting Pronouncements:

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

# TOWN OF GIBSON, TENNESSEE

## Notes to Financial Statements

June 30, 2017

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

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

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers governmental revenues as available if received within 45 days of years end. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

#### Government -Wide and Fund Financial Statements

The Government-wide financial statements, the statement of Net Position and the statement of changes in Net Position, report information on all of the nonfiduciary activities of the primary government. For the most part the effect of the interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

# TOWN OF GIBSON, TENNESSEE

## Notes to Financial Statements

June 30, 2017

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

The government reports the following major funds:

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

State Street Aid Fund - To account for the receipt and usage of the Town's share of State gasoline taxes. State law requires these gasoline taxes to be used to maintain streets.

Drug Fund - To account for drug fines received and usage of those monies to further drug investigations.

The government reports the following major proprietary funds:

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the various utility funds are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted funds are used the Town uses committed, assigned then unassigned funds.

# TOWN OF GIBSON, TENNESSEE

## Notes to Financial Statements

June 30, 2017

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

#### Cash and Cash Equivalents

Cash and cash equivalents consist primarily of savings accounts, certificates of deposit with original maturities three months or less and amounts held by the State Local Government Investment Pool.

#### Receivables and Payables

Activity between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either due from/ due to other funds (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources.

All trade receivables are shown net of an allowance for uncollectible, if applicable.

#### Property Tax

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

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

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

Taxes were levied at a rate of \$1.000 per \$100 of assessed valuation for the fiscal year ended June 30, 2017.

Payments may be made during the period from November 1 through March 31. Current tax collections of \$33,546 for the fiscal year ended June 30, 2017 were approximately 88 percent of the tax levy.

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

#### Compensated Absences

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

# TOWN OF GIBSON, TENNESSEE

## Notes to Financial Statements

June 30, 2017

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

#### Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads bridges, streets and sidewalks, and drainage systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of \$5,000 and an estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

The estimated useful lives are as follows:

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

#### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

# TOWN OF GIBSON, TENNESSEE

## Notes to Financial Statements

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

#### Inventory

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

#### Restricted Assets

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

#### Long-term Obligations

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

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 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.

#### Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### Estimates

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

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



# TOWN OF GIBSON, TENNESSEE

## Notes to Financial Statements

June 30, 2017

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

#### Fund Balance

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

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

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

#### Budgets and Budgetary Accounting

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

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

During the year the Town exceeded the following departmental budgets:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
State Street Aid Fund	10,867	13,417	2,550
Drug Fund	0	6,287	6,287

**TOWN OF GIBSON, TENNESSEE**

Notes to Financial Statements

June 30, 2017

**(2) Cash and Cash Equivalents**

The Town is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts and certificates of deposit. During the year, the Town invested funds that were not immediately needed in certificates of deposits and savings accounts. The Town has deposit policies to minimize custodial credit risks. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Town. The Town's deposits with financial institutions are fully insured or collateralized by securities held in the government's name. Additionally, the deposit accounts are covered by the Federal Depository Insurance Coverage (FDIC).

**(3) Accounts Receivable**

Accounts receivable at June 30, 2017, consist of the following:

<u>Fund</u>	<u>Other Government</u>	<u>Property Taxes</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	\$10,045	45,167	-	55,212
Special Revenue Fund	2,038	-	-	2,038
Enterprise Fund	-	-	18,304	18,304
Less allowance for doubtful accounts	-	-	(1,999)	(1,999)
Total	<u>\$ 12,083</u>	<u>45,167</u>	<u>16,305</u>	<u>73,555</u>

**TOWN OF GIBSON, TENNESSEE**

Notes to Financial Statements

June 30, 2017

**(4) Capital Assets**

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

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2017</u>
Land and buildings	\$ 649,220	-	-	649,220
Equipment	729,048	3,800	267,129	465,719
Total	\$ <u>1,378,268</u>	<u>3,800</u>	<u>267,129</u>	<u>1,114,939</u>
Less Accumulated depreciation	<u>(1,095,764)</u>			<u>(891,144)</u>
Net capital assets in service	\$ <u>282,504</u>			<u>223,795</u>

All assets are being depreciated.

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

General Fund:

General government administration	3,309
Police department	3,427
Street department	12,529
Fire department	<u>43,244</u>
Total	<u>62,509</u>

A summary of changes in Enterprise (Water and Sewer) Fund capital assets and related accumulated depreciation follows:

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2017</u>
Land	56,419	-	-	56,419
Equipment	45,793	-	-	45,793
Construction in progress	15,695	126,761	-	142,456
Utility plant	\$ <u>1,883,443</u>	-	-	<u>1,883,443</u>
Total	2,001,350	<u>126,761</u>	<u>-</u>	2,128,111
Less accumulated depreciation	<u>(1,026,803)</u>			<u>(1,069,708)</u>
Net plant in service	\$ <u>974,547</u>			<u>1,058,403</u>

All assets, except land of \$56,419 and CIP of \$142,456, are being depreciated. Depreciation expense was \$42,905.

**TOWN OF GIBSON, TENNESSEE**

Notes to Financial Statements

June 30, 2017

**(5) Long-Term Debt**

The following schedule reflects the changes in long-term debt, as shown in the General Obligation Long-Term Debt during fiscal year 2017.

	Balance July 1, <u>2016</u>	Addi- tions	Retire ments	Balance June 30, <u>2017</u>
State Street Loan	58,254	-	(5,156)	53,098
Capital Outlay - Backhoe	8,320	-	(2,497)	5,823
Capital Outlay – Fire truck	<u>59,489</u>	<u>-</u>	<u>(5,824)</u>	<u>53,665</u>
Total	126,063	-	(13,477)	112,586

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2017 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2018	17,062	4,518
2019	16,987	3,645
2020	14,325	2,995
2021	14,469	2,546
2022	14,613	2,164
2023-2026	<u>35,130</u>	<u>4,588</u>
Total	<u>112,586</u>	<u>20,457</u>

The following schedule reflects the changes in long-term debt, as shown in the Water and Sewer Fund during fiscal year 2017.

	Balance July 1, <u>2016</u>	Addi- tions	Retire- ments	Balance June 30, <u>2017</u>
Notes Payable				
Capital Outlay Note	<u>27,399</u>	<u>-</u>	<u>(19,814)</u>	<u>7,585</u>
Total	27,399	-	(19,814)	7,585

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2017 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2018	<u>7,585</u>	<u>124</u>
Total	<u>7,585</u>	<u>124</u>

**TOWN OF GIBSON, TENNESSEE**

Notes to Financial Statements

June 30, 2017

**(6) Interfund Transactions**

Interfund receivables and payables at June 30, 2017 were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 92,241	-
Water and Sewer Fund	-	<u>92,241</u>
Total	\$ <u>92,241</u>	<u>92,241</u>

**(7) Risk Management**

The Town of Gibson is exposed to various risks to general liability and property and casualty losses. The Town has decided it is more economically feasible to be in a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage. The Town participates in the TML Insurance Pool which is a public entity risk pool established by the Tennessee Municipal League, and association of member municipalities. The Town pays an annual premium to the TML for its general liability and property and casualty insurance coverage. The pool reinsures through commercial insurance companies. The Town has not had any claims in excess of insurance coverage during the last three years.

**(8) Commitments and Contingencies**

Litigation:

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

Grants:

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

SUPPLEMENTAL  
INFORMATION

TOWN OF GIBSON, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Changes in Capital Assets by Type

June 30, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets:				
Building	\$649,220	0	0	649,220
Equipment	<u>729,048</u>	<u>3,800</u>	<u>267,129</u>	<u>465,719</u>
Total capital assets	<u>\$1,378,268</u>	<u>3,800</u>	<u>267,129</u>	<u>1,114,939</u>

TOWN OF GIBSON, TENNESSEE

Schedule of Cash and Cash Equivalents  
All Funds

June 30, 2017

	<u>Carrying Value</u>
General Fund:	
Demand deposits	48,050
Total General Fund	<u>48,050</u>
State Street Aid Fund:	
Demand deposits	4,365
Total State Street Aid Fund	<u>4,365</u>
Drug Fund:	
Demand deposits	9,610
Total Drug Fund	<u>9,610</u>
Water and Sewer Fund:	
Demand deposits	59,698
Total Water and Sewer Fund	<u>59,698</u>
Total - All funds	<u><u>\$121,723</u></u>



**TOWN OF GIBSON, TENNESSEE**

**Schedule of Changes in Property Taxes Receivable**

**For the Year Ended June 30, 2017**

<u>Tax Year</u>	<u>Balance July 1, 2016</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2017</u>
2017	0	37,953	0	37,953
2016	37,953	0	33,546	4,407
2015	1,321	0	0	1,321
2014	818	0	0	818
2013	4,098	0	3,606	492
2012	234	0	234	176
	<u>\$44,424</u>	<u>37,953</u>	<u>37,386</u>	<u>45,167</u>

<u>Tax Year</u>	<u>Assessed Value</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Tax Adjustment and Collections</u>	<u>Outstanding Taxes</u>
2017	3,256,839	1.0000	37,953	0	37,953
2016	3,256,839	1.0000	37,953	33,546	4,407
2015	3,071,396	1.0000	30,736	29,415	1,321
2014	3,100,456	1.0000	31,601	30,783	818
2013	3,150,859	1.0000	31,528	31,036	492
2012	3,099,809	1.0000	31,021	30,845	176
2011	3,116,619	1.0000	31,186	31,186	0
2010	3,105,166	1.0000	31,075	31,075	0
2009	3,042,705	1.02	31,698	31,698	0
2008	2,678,723	1.02	27,332	27,332	0

All delinquent taxes for previous years except 2016 have been filed with the County.

TOWN OF GIBSON, TENNESSEE

Schedule of Debt Service Requirements - Water and Sewer Fund

June 30, 2017

<u>Year</u>	<u>Capital Outlay Note</u>		<u>TOTAL</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	<u>7,585</u>	<u>124</u>	<u>7,585</u>	<u>124</u>	<u>7,709</u>
	<u>\$7,585</u>	<u>\$124</u>	<u>\$7,585</u>	<u>\$124</u>	<u>\$7,709</u>

TOWN OF GIBSON, TENNESSEE

Schedule of Debt Service Requirements - General Obligation

June 30, 2017

Year	CAPITAL OUTLAY FIRE TRUCK		CAPITAL OUTLAY BACKHOE		STATE STREET LOAN		TOTALS		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2018	7,716	2,147	3,019	247	6,327	2,124	17,062	4,518	21,580
2019	7,793	1,825	2,804	121	6,390	1,699	16,987	3,645	20,632
2020	7,871	1,551			6,454	1,444	14,325	2,995	17,320
2021	7,950	1,318			6,519	1,228	14,469	2,546	17,015
2022	8,029	1,121			6,584	1,043	14,613	2,164	16,777
2023	8,110	952			6,650	887	14,760	1,839	16,599
2024	6,196	810			6,716	754	12,912	1,564	14,476
2025					6,783	641	6,783	641	7,424
2026					675	545	675	545	1,220
	<u>53,665</u>	<u>9,723</u>	<u>5,823</u>	<u>369</u>	<u>53,098</u>	<u>10,365</u>	<u>112,586</u>	<u>20,457</u>	<u>133,043</u>

**TOWN OF GIBSON, TENNESSEE**

**Schedule of Utility Rates and Information**

**Water and Sewer Fund**

**June 30, 2017**

**Water**

First 1,000 gallons	\$34.68 minimum charge
Over 1,000 gallons	\$3.57 per 1,000 gallons

**Sewer**

First 1,000 gallons	\$14.28 minimum charge
Over 1,000 gallons	\$3.57 per 1,000 gallons

Garbage Fee: \$19.00 per month

As of yearend there were approximately 190 water customers and approximately 170 sewer customers served.



## AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0  
American Water Works Association  
Copyright © 2014. All Rights Reserved

Click to access definition  
 Click to add a comment

**Water Audit Report for:** Town of Gibson (0000263)  
**Reporting Year:** 2017 7/2016 - 6/2017

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

**All volumes to be entered as: MILLION GALLONS (US) PER YEAR**

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

### WATER SUPPLIED

Volume from own sources:   MG/Yr  
Water imported:   MG/Yr  
Water exported:   MG/Yr

### Master Meter and Supply Error Adjustments

Enter grading in column 'E' and 'J' ----->  
Pcnt:   Value:  MG/Yr  
 MG/Yr  
 MG/Yr

Enter negative % or value for under-registration  
Enter positive % or value for over-registration

**WATER SUPPLIED:**  MG/Yr

### AUTHORIZED CONSUMPTION

Billed metered:   MG/Yr  
Billed unmetered:   MG/Yr  
Unbilled metered:   MG/Yr  
Unbilled unmetered:   MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

**AUTHORIZED CONSUMPTION:**  MG/Yr

Click here:  for help using option buttons below

Pcnt:  Value:  MG/Yr

Use buttons to select percentage of water supplied OR value

### WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

#### Apparent Losses

Unauthorized consumption:   MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:   MG/Yr

Systematic data handling errors:   MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

**Apparent Losses:**  MG/Yr

Pcnt:  Value:  MG/Yr

MG/Yr  
  MG/Yr

#### Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:    MG/Yr

**WATER LOSSES:**  MG/Yr

### NON-REVENUE WATER

**NON-REVENUE WATER:**  MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

### SYSTEM DATA

Length of mains:   miles  
Number of active AND inactive service connections:    
Service connection density:   conn./mile main

Are customer meters typically located at the curbstop or property line?

Average length of customer service line:  (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure:   psi

### COST DATA

Total annual cost of operating water system:   \$/Year  
Customer retail unit cost (applied to Apparent Losses):   \$/1000 gallons (US)  
Variable production cost (applied to Real Losses):   \$/Million gallons  Use Customer Retail Unit Cost to value real losses

### WATER AUDIT DATA VALIDITY SCORE:

\*\*\* YOUR SCORE IS: 81 out of 100 \*\*\*

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

#### PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Volume from own sources
- 2: Unauthorized consumption
- 3: Systematic data handling errors



## AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0  
American Water Works Association  
Copyright © 2014. All Rights Reserved

Water Audit Report for:   
Reporting Year:

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 81 out of 100 \*\*\*

### System Attributes:

Apparent Losses:	<input type="text" value="0.636"/>	MG/Yr
+	Real Losses:	<input type="text" value="4.539"/>
=	<b>Water Losses:</b>	<b><input type="text" value="5.174"/></b>

Unavoidable Annual Real Losses (UARL):  MG/Yr

Annual cost of Apparent Losses:

Annual cost of Real Losses:  Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

### Performance Indicators:

Financial: {

Non-revenue water as percent by volume of Water Supplied:	<input type="text" value="39.6%"/>	
Non-revenue water as percent by cost of operating system:	<input type="text" value="8.3%"/>	Real Losses valued at Variable Production Cost

Operational Efficiency: {

Apparent Losses per service connection per day:	<input type="text" value="8.14"/>	gallons/connection/day
Real Losses per service connection per day:	<input type="text" value="N/A"/>	gallons/connection/day
Real Losses per length of main per day*:	<input type="text" value="1,776.44"/>	gallons/mile/day
Real Losses per service connection per day per psi pressure:	<input type="text" value="N/A"/>	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL):  million gallons/year

Infrastructure Leakage Index (ILI) [CARL/UARL]:

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

TOWN OF GIBSON, TENNESSEE

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2017

<u>CFDA Number</u>	<u>Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance July 1, 2016</u>	<u>Grant Receipts</u>	<u>Other Receipts</u>	<u>Grant Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2017</u>
<b>Federal Program:</b>								
14.228	GG-35310	CDBG	US. Department of Housing and Urban Development thru the Tennessee Department of Economic and Community Development	<u>0</u>	<u>127,247</u>	<u>0</u>	<u>127,247</u>	<u>0</u>
			Grand Total	<u>0</u>	<u>127,247</u>	<u>0</u>	<u>127,247</u>	<u>0</u>

This schedule was prepared on the accrual basis of accounting.

# COMPLIANCE AND INTERNAL CONTROL



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

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

**INDEPENDENT AUDITOR'S REPORT ON**  
**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**

Mayor and Board of Aldermen  
Town of Gibson, Tennessee  
Gibson, Tennessee

I was engaged to 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, the financial statements of the governmental activities, the business type activities, each major fund of the Town of Gibson, Tennessee as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Gibson's basic financial statements, and have issued a report thereon dated December 31, 2018. I was engaged to audit, and have issued a Disclaimer of Opinion on the Governmental Activities, Business-type Activities and the General Fund, State Street Aid Fund, Drug Fund, and the Water and Sewer Fund. The report disclaims an opinion on such financial statements because I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

**Internal Control Over Financial Reporting**

In connection with our engagement to audit the financial statements of the Town of Gibson, I considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing the opinions on the financial statements, but not for the purpose of expressing opinions on the effectiveness of the Town of Gibson's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Gibson's internal control.

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies (2017-002, 2017-003, 2017-004, 2017-005, 2017-006, 2017-007, and 2017-014) below to be material weaknesses.

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. I consider the deficiencies described as 2017-008 and 2017-009 to be significant deficiencies.

### **Compliance and Other Matters**

In connection with the engagement to audit the financial statements of the Town of Gibson, 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the engagement and accordingly, I do not express such an opinion. The results of the tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These are described as 2017-001, 2017-010, 2017-011, 2017-012, 2017-013, 2017-015, and 2017-016. Additionally, if the scope of the work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported therein.

### **Response to Findings**

The Town of Gibson's response to the findings identified in the audit is described in the Schedule of Findings and Responses. The Town of Gibson's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Juli R Poole, CPA*

December 31, 2018

## TOWN OF GIBSON, TENNESSEE

### Schedule of Findings and Responses

June 30, 2017

#### 2017-001 Expenditures Exceeding Budget

Condition: Actual expenditures exceeded budgeted amounts in the State Street Aid Fund and Drug Fund.

Criteria: Tennessee Code Annotated 6-56-203 prohibits expenditures of funds except in accordance with an authorized budget,

Cause: Expenditures compared to budgeted amounts were not monitored timely.

Effect: Expenditures in excess of the budgeted amounts are unauthorized.

Recommendation: We recommend that budgets be established as required for all funds and reviewed on a regular basis and amendments be made when necessary.

Response and Corrective Action: We concur with this finding. We (Board) are the contact for this finding.

#### 2017-002 Separation of Duties

Condition: The Town cannot fully segregate the record-keeping and custodial functions of its internal controls due to the size of its staff. The Town has only one full-time and part-time employee that is responsible for all of the record-keeping, accounting, and custodial functions.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: We realize that the staff size will not allow the Town to completely segregate the duties to the optimum level desired. However, the accounting functions should be segregated as much as possible. Management needs to be aware that this weakness exists in the system of internal accounting control.

Response and Corrective Action Plan: We agree. This comment is related to our size. It is not economically feasible at this time to hire a sufficient number of people to adequately separate the duties. We (the Board) do continue to monitor our finances and internal control. We (Board) are the contact related to this information.

## TOWN OF GIBSON, TENNESSEE

### Schedule of Findings and Responses

June 30, 2017

#### 2017-003 Journal Entries

Condition: Several year-end journal entries were needed to agree the general ledger to the supporting detail records.

Criteria: Generally accepted accounting principles require that the general ledger agree to these detailed records.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when such accounts do not agree to the general ledger.

Recommendation: The general ledger should be reconciled to the account details on at least a monthly basis.

Response and Corrective Action Plan: We agree. We will work to reduce the journal entries needed at year end. The contact person for this activity is the Board.

#### 2017-004 Accounting Records Not Maintained on a Current Basis

Condition: Accounting records were not maintained on a current basis, and these records were many months behind. Current financial reports had not been presented to the Board of Directors to be used as a tool for financial decisions. The State of Tennessee requires that the Town's books be closed out within sixty days of yearend. That did not occur.

Criteria: Accounting records must be maintained on a current basis.

Effect: The failure to maintain accounting records on a current basis diminishes the usefulness of the financial records.

Recommendation: The Town should maintain its accounting records on a current basis.

Response and Corrective Action Plan: We agree. We will work to reduce the journal entries needed at year end. The contact person for this activity is the Board.

## TOWN OF GIBSON, TENNESSEE

### Schedule of Findings and Responses

June 30, 2017

#### 2017-005 Account Reconciliations

Condition: It was noted that many accounts (bank accounts, account receivables, accounts payable, accrued expenses, customer deposits and long-term debt accounts) were not reconciled to the Town's detailed records

Criteria: Generally accepted accounting principles require that the general ledger agree to these detailed records.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when such accounts do not agree to the general ledger.

Recommendation: The Town should on at least a monthly basis reconcile these important general ledger accounts.

Response and Corrective Action Plan: We agree. We will work to properly reconcile the accounts. The contact person for this activity is the Board.

#### 2017-006 Failure to Follow Purchasing Policy

Condition: The Internal Control and Compliance Manual for Tennessee Municipalities, Title 2, Chapter 1, specifies the required elements of a purchasing policy which complies with the Municipal Purchasing Law of 1983, Sections 6-56-301 through 6-56-306, Tennessee Code Annotated. Required elements of a written purchasing policy include designating persons authorized to make purchases, outlining procedures for emergency and small item purchases without prior approval, requiring approval by appropriate officials and requiring competitive bids for purchases over a fixed amount. During the year certain aspects of the Town's purchasing policy was not followed.

Criteria: State guidelines and Town policy require that purchases be made in a certain manner.

Effect: The Town exceeded its budgeted amounts because the purchasing policy was not allowed.

Recommendation: We recommend that all purchases be made in accordance with the Town's policy.

Response and Corrective Action Plan: We have taken the necessary steps to insure that all aspects of the purchasing policy of the Town will be followed. We (Board) are the contact person for this activity.

## TOWN OF GIBSON, TENNESSEE

### Schedule of Findings and Responses

June 30, 2017

#### 2017-007 Inadequate Documentation for Disbursements

Condition: The Town's files did not include adequate supporting documentation for each disbursement. For many disbursements, the files contained no documentation of the expenditure. The Internal Control and Compliance Manual for Tennessee Municipalities, Title 2, Chapter 2, Section 4 states:

Municipal officials should ensure .... that supporting documentation is filed alphabetically by vendor or by date paid. All disbursements, regardless of the accounting procedures, must be supported by invoices, cash tickets or other adequate supporting documentation. Section 3 also requires that the related documentation accompany checks presented for approval and signing.

To document that each disbursement was for a valid municipal purpose, officials should ensure that adequate supporting documentation is maintained in the municipality's files in accordance with the Internal Control and Compliance Manual for Tennessee Municipalities. Before signing a check, authorized individuals should review the supporting documentation to determine that the disbursement is for a valid purpose.

Criteria: State guidelines and Town policy require that supporting documentation for purchases be maintained.

Effect: The Town cannot support the use of its funds.

Recommendation: All purchases should be properly documented, and that documentation maintained according to Town and State guidelines.

Response and Corrective Action: The above procedures are now being followed. We (Board) are the contact person for this activity.

## TOWN OF GIBSON, TENNESSEE

### Schedule of Findings and Responses

June 30, 2017

#### 2017-008 Invoices Not Signed to Document Goods and Services Received

Condition: Many invoices on file to support town disbursements for goods and services did not contain a signature that the goods or services were received as ordered. The Internal Control and Compliance Manual for Tennessee Municipalities, Title 1, Chapter 4, Section 1, states:

Municipal officials should adopt policies and procedures that provide safeguards for inventories of materials and supplies. These policies should include a requirement to inspect and count each incoming materials delivery, with the receiver signing each invoice as received.

Criteria: State guidelines and Town policy require that supporting documentation for purchases be approved.

Effect: The Town cannot support the use of its funds (that all items purchased were received).

Recommendation: All purchases should be properly approved according to Town and State guidelines.

Response and Corrective Action: The above procedures are now being followed. We (Board) are the contact person for this activity.

#### 2017-009 Annual Inventory Not Performed

Condition: The Town is not performing an annual inventory of Town owned capital assets.

Criteria: The State of Tennessee requires the Town to maintain detailed capital asset records. Annual inventories should be taken and compared to capital asset records.

Effect: Capital assets could be misappropriated without knowledge by the Town, leading to misstated financial statements.

Recommendation: At least annually the Town should agree its capital assets to the accounting records.

Response and Corrective Action: We will take an inventory of the capital assets during the 2019 fiscal year. We (Board) are the contact person for this activity.

## TOWN OF GIBSON, TENNESSEE

### Schedule of Findings and Responses

June 30, 2017

#### 2017-010 Financial Information is Not Being Provided to the Board

Condition: Financial information concerning budget information (actual revenues and actual expenditures compared to budgeted amounts) is not being presented to the Board on a monthly basis.

Criteria: The Board cannot properly manage the Town's finances without this financial information.

Effect: During the year the Town did not comply with the Budget Ordinance by overspending in certain expenditure areas. With appropriate financial information an amendment to the budget could have been made to prevent the violation of the Budget Ordinance.

Recommendation: Financial information should be presented to the Board at the monthly meeting.

Response and Corrective Action: We will work to provide the Board with monthly financial information. We (Board) are the contact person for this activity.

#### 2017-011 Unapproved Interfund Loan

Condition: The Town has certain Due to/ Due From balances at yearend (\$92,241 between the General Fund and the Water and Sewer Fund). This interfund loan was not approved in advance by the State of Tennessee, Comptroller—Office of State and Local Finance, nor were their amounts approved by the Town's Board. These amounts appear to be due to the Town overspending in the Water and Sewer Fund.

Criteria: State law requires that these interfund loans require approval by the State of Tennessee, Comptroller—Office of State and Local Finance.

Effect: The effect of these interfund loans reduces the ability of the Town to use these funds for their intended purpose; instead financing other purposes.

Recommendation: The Town should contact the State of Tennessee, Comptroller—Office of State and Local Finance and arrange for a properly approved interfund loan and appropriate repayment schedule.

Response and Corrective Action: We will make contact with the State of Tennessee, Comptroller—Office of State and Local Finance. We (Board) are the contact person for this activity.



## TOWN OF GIBSON, TENNESSEE

### Schedule of Findings and Responses

June 30, 2017

#### 2017-012 Failure to Follow State Statutes Regarding Vehicle Seizures

Condition: As noted in the Comptroller of the Treasury Division of Investigation, the former police chief did not ensure that the seizure of vehicles by the Gibson Police Department followed the procedures mandated by Tennessee Code Annotated 40-33-201-216 by failing to obtain a forfeiture warrant, listing the legal and factual basis which made the vehicle subject to forfeiture, signed by a judge; file seizure forms with the Department of Safety and Homeland Security, and negotiate and enter settlement agreements for the return of the vehicles to the owners in accordance with DOSHS orders,

Criteria: Tennessee Code Annotated 40-33-201-216.

Effect: Failure to follow State law could expose the Town to fines and fees and return of certain vehicles.

Recommendation: The Town should follow the State statute regarding these areas.

Response and Corrective Action: That chief is no longer employed by the Town. We believe we are following the State statute related to vehicle seizure.

#### 2017-013 Operated an Unregistered Driver Education Course

Condition: As noted in the Comptroller of the Treasury Division of Investigation, the former police chief failed to register the Town's driver education course properly. In exchange for dismissing a traffic citation, eligible traffic offenders could pay the Town a \$50 fee plus court costs, and attend a driver education course. The former police chief failed to follow the guidelines required by the DOSHS, as outlined by Tennessee Code Annotated 55-10-301 and Tenn. COMP. R. & Regs. 1340-03-07-.01-.06, the Rules of the Tennessee Department of Safety and Homeland Security.

Criteria: Tennessee Code Annotated 55-10-301.

Effect: Failure to follow State law could expose the Town to fines and fees and the ability to operate a driver education course.

Recommendation: The Town should follow the State statute regarding these areas.

Response and Corrective Action: That chief is no longer employed by the Town. We believe we are following the State statute related to the driver education course.

## TOWN OF GIBSON, TENNESSEE

### Schedule of Findings and Responses

June 30, 2017

#### 2017-014 Failure to Monitor Former Police Chief Work Hours

Condition: As noted in the Comptroller of the Treasury Division of Investigation, the former police chief may not have worked the hours that he was reported on his time cards. His signed time cards indicated he was working 40 or more hours per week. The investigators found that, in addition to his position with the Town, he was a full-time teacher at Milan High School in Gibson County, including serving as an assistant football coach at that school.

Criteria: Town employees should not be paid for time not worked.

Effect: Town would not be receiving the police services that it was paying for, further diminishing the Town financial position.

Recommendation: The Town should follow its procedures related to personnel payments.

Response and Corrective Action: That chief is no longer employed by the Town. We believe we are following or procedures related to our personnel payments.

#### 2017-015 Failure to Monitor Impounded Vehicles

Condition: As noted in the Comptroller of the Treasury Division of Investigation, the Town officials failed to return properly, otherwise dispose of, or monitor the storage costs of certain impounded vehicles stored at a private storage lot. When Town officials retrieved the vehicles from the private storage facility, the Town had incurred a substantial bill for storage fees.

Criteria: Town employees should insure that vehicles in storage are disposed of in a timely manner.

Effect: Town would benefit from less costs and reduce the liability related to holding these vehicles.

Recommendation: The Town should be very proactive related to these impounded vehicles.

Response and Corrective Action: That chief is no longer employed by the Town. We believe we are following or procedures related to impounded vehicles.

**TOWN OF GIBSON, TENNESSEE**

Schedule of Findings and Responses

June 30, 2017

2017-016 Conflict of Interest – Failure to Disclose

Condition: As noted in the Comptroller of the Treasury Division of Investigation, the Town officials failed to disclose potential conflicts resulting from services provided to the Town by Board Officials. The former Mayor and some Board Officials provided services deemed sole source contracts by the Town. In such situations, State statutes require that the Mayor and Board officials disclose these relationships in any open meeting of the Board of Mayor and Aldermen.

Criteria: Tennessee Code Annotated.

Effect: Town citizens would be aware of these transactions.

Recommendation: The Town should disclose these transactions as they occur in the open meetings and at least annually require the Board members to acknowledge their activity during the year.

Response and Corrective Action: We agree. We are trying to eliminate all such transactions.

**TOWN OF GIBSON, TENNESSEE**

Schedule of Disposition of Prior Year Comments

June 30, 2017

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2016-001	Expenditures Exceeding Budget (original finding # 2015-001)	Repeated 2017-001
2016-002	Separation of Duties (original finding # 2015-002)	Repeated 2017-002
2016-003	Material Audit Adjustments (original finding # 2015-004)	Repeated 2017-003