

CITY OF GOODLETTSVILLE, TENNESSEE
Financial Report
June 30, 2011

CITY OF GOODLETTSVILLE, TENNESSEE

Financial Report

June 30, 2011

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Introductory Section

CITY OF GOODLETTSVILLE, TENNESSEE
Roster of City Officials
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City Commissioners	Gary Manning, Mayor John Coombs, Vice Mayor John Finch Dan Bloodworth Jane Birdwell
City Manager	Jim Thomas
Assistant City Manager	Tim Ellis
City Attorney	Joe Haynes
City Judge	Robert Wheeler
City Recorder	Alicia Prince
Chief Clerk	Ann Crawford
Chief of Police	Richard Pope
Codes Administrator	Larry DiOrio
Director of Public Works	Bill Brasier
Director of Parks and Recreation	Amy Mitchell
Economic Development Director	Tom Tucker
Finance Director	Julie High
Fire Chief	Phillip Gibson
Information Systems & Telecommunications Director	Phillip Uldrich
Planning Director	Rick Gregory
Purchasing Director	Tommy DeLoach

Financial Section

Parker, Parker & Associates, PLC

Certified Public Accountants

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Independent Auditors' Report

To the Honorable Mayor
and the Members of the City Commission
Goodlettsville, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Goodlettsville, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Goodlettsville, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Goodlettsville, Tennessee, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2012, on our consideration of the City of Goodlettsville, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress on pages 3 through 9 and 35a be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Goodlettsville, Tennessee's financial statements as a whole. The introductory section, supplemental information, and other supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and other supplemental information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Parker, Parker & Associates

January 5, 2012

CITY OF GOODLETTSVILLE, TENNESSEE
Management's Discussion and Analysis
June 30, 2011

Description of the Financial Statements

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

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when 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 the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all activities of the City, including general government and administration, public safety, public works, sanitation, parks and recreation, and tourism. The business-type activity of the City includes the sewer operation. The government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four governmental funds; information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the one major fund. Data from the other three funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 12-15 of this report.

Proprietary Funds

The City maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its sewer operations. Proprietary funds provide the same type of

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information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 16-18 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-34 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 35a of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 35b-36 of this report.

The activities of the City of Goodlettsville are accounted for in five funds: General Fund, Drug Fund, Solid Waste Fund, Tourism Fund and Sewer Fund. In addition, the General Fund is divided into four areas. The Grant, Street Aid, and Tourism sections account for the receipt and expenditure of revenues that are restricted to certain purposes, and the General section accounts for all other General Fund activities.

Condensed Comparative Data.

	Primary Government					
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
ASSETS						
Current and Other Assets	\$ 8,288,664	\$ 7,380,887	\$ 4,605,554	\$ 4,557,739	\$ 12,894,218	\$ 11,938,626
Capital assets	12,442,007	13,139,656	30,224,415	22,910,309	42,666,422	36,049,965
Total assets	<u>20,730,671</u>	<u>20,520,543</u>	<u>34,829,969</u>	<u>27,468,048</u>	<u>55,560,640</u>	<u>47,988,591</u>
LIABILITIES						
Other liabilities	3,487,734	3,366,584	1,105,608	138,615	4,593,342	3,505,199
Long-term liabilities	2,355,671	2,124,467	11,198,682	5,130,576	13,554,352	7,255,043
Total liabilities	<u>5,843,404</u>	<u>5,491,051</u>	<u>12,304,290</u>	<u>5,269,191</u>	<u>18,147,694</u>	<u>10,760,242</u>
NET ASSETS						
Invested in capital assets,						
net of related debt	11,896,924	12,294,327	18,953,282	17,808,778	30,850,207	30,103,105
Restricted	1,456,817	856,954	-	-	1,456,817	856,954
Unrestricted	1,526,506	1,878,211	3,422,731	4,390,079	4,949,236	6,268,290
Total net assets	<u>\$ 14,880,247</u>	<u>\$ 15,029,492</u>	<u>\$ 22,376,014</u>	<u>\$ 22,198,857</u>	<u>\$ 37,256,261</u>	<u>\$ 37,228,349</u>

CITY OF GOODLETTSVILLE, TENNESSEE
Management's Discussion and Analysis
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<u>Functions/Programs:</u>	Change in Net Assets					
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Program Revenues						
Charges for Services	\$ 1,615,340	\$ 1,614,814	\$ 4,493,710	\$ 3,931,217	\$ 6,109,050	\$ 5,546,031
Operating grants and contributions	467,800	535,204	-	-	467,800	535,204
Capital grants and contributions	314,946	83,578	-	-	314,946	83,578
General Revenues	10,026,060	9,379,480	52,857	47,749	10,078,917	9,427,228
Total Revenues	12,424,145	11,613,076	4,546,567	3,978,966	16,970,712	15,592,041
Expenses						
General government	3,441,250	2,885,572	-	-	3,441,250	2,885,572
Public safety	5,502,153	5,339,890	-	-	5,502,153	5,339,890
Public Works	1,245,971	1,142,901	-	-	1,245,971	1,142,901
Sanitation	845,076	751,294	-	-	845,076	751,294
Parks and recreation	1,313,301	1,251,512	-	-	1,313,301	1,251,512
Tourism	323,864	270,514	-	-	323,864	270,514
Interest on long-term debt	40,026	60,363	-	-	40,026	60,363
Sewer	-	-	4,264,052	3,746,237	4,264,052	3,746,237
Total Expenses	12,711,642	11,702,044	4,264,052	3,746,237	16,975,694	15,448,284
Increase (Decrease) in net assets before transfers	(287,497)	(88,968)	282,515	232,729	(4,982)	143,761
Transfers	105,359	77,529	(105,359)	(77,529)	-	-
Increase (Decrease) in net assets	(182,138)	(11,439)	177,156	155,200	(4,982)	143,761
Net assets - beginning	15,029,492	15,040,931	22,198,857	21,959,719	37,228,349	37,000,650
Prior Period Adjustment	32,893	-	-	83,938	32,893	83,938
Net assets - ending	14,880,247	15,029,492	22,376,013	22,198,857	37,256,260	37,228,349

Overall analysis.

The City's overall financial condition remained solid during Fiscal Year 2011, with governmental activities revenues and business-type activities revenues increasing from the prior fiscal year. Revenues from governmental activities increased 6% and revenues generated by business-type activities increased 14%. Expenditures for both types of activities increased in Fiscal Year 2011. Expenditures related to governmental activities increased by 13% and expenditures related to business-type activities increased 14%. This resulted in a slight decrease in governmental net assets of \$45,000 and an increase of \$177,000 in the City's business-type activities which is the Sewer Fund. The economy seemed to have improved during Fiscal Year 2011, as the City saw an increase in local option sales tax collections compared to the prior year.

The City refunded a portion of its outstanding debt and took advantage of lower interest rates. The expiration terms of the debt remained the same, while generating \$300,000 in savings to the City over that term. The City was assigned a credit rating of Aa3 by Moody's, after a thorough evaluation process. This rating was maintained from the last evaluation in 2002. Maintaining this strong rating in a time period where Moody's downgrades compared to upgrades were 4:1, is indicative of the City's strong financial condition.

Capital expenditures in the General Fund were limited in Fiscal Year 2011 to paving and emergency purchases of a new phone/voice mail system, and emergency repairs to a fire vehicle resulting from a wreck. Also, capital expenditures included the demolition of the Pleasant Green building which was the result of a fire in the prior year. The City had Construction in Progress expenses of \$1,827,000 for Sewer Rehabilitation and \$5,093,000 for the Wastewater flow equalization basin at the Mansker Creek Pump Station during Fiscal Year 2011. These two projects are being funded by a loan with the State's

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Revolving Loan Fund program that includes \$5 million of American Recovery and Reinvestment Act (ARRA) funds in the form of "principal forgiveness". Those two projects will continue through the next fiscal year.

Fund analysis

General Fund - The General Fund is the largest component of the governmental activities. The City relies heavily on local sales tax revenues. The local option sales tax represents approximately 1/3 of the total revenues in the General Fund. The City experienced its best sales tax collections since 2006 in Fiscal Year 2011. Overall, collections exceeded the prior year by 12% or \$423,000, by recording \$3,952,000 in sales tax revenue. Sales tax collections each month exceeded collections for the prior year's same month during Fiscal Year 2011.

The City ended the year with a fund balance in the General Fund of \$3,713,000. \$108,000 was nonspendable, \$654,000 was restricted, \$54,000 for Street Aid and \$600,000 for Conference Drive. \$418,000 was committed to the Parks and Recreation Department as a result of proceeds due to the fire at Pleasant Green in 2010. \$501,000 is assigned to OPEB (Other Post- Employment Benefits) which is medical insurance benefit for retirees. \$2,032,000 remained Unassigned Fund Balance at June 30, 2011.

Drug Fund - Expenditures in the drug fund depend on the amount of drug fines received and proceeds from seized property, both of which showed typical activity this year. \$27,300 was collected in drug fines during Fiscal Year 2011, and \$8,600 was received due to the sales of fixed assets, and another \$5,000 was donated to the City's Drug Fund. Expenditures for drug enforcement activities during Fiscal Year 2011 were \$36,700.

Solid Waste Fund - As stated earlier, the City implemented a sanitation service fee on July 1, 2008 of \$15 per month per residential living unit. This fee generated \$787,000 revenue in Fiscal Year 2011. Expenditures in the Solid Waste Fund were \$774,000. Therefore, there was no General Fund subsidy to the Solid Waste Fund through operating transfers of funds. The Solid Waste Fund also generates revenue through the collection of service fees of \$75 per trash receptacle collected at the initial set-up of service; and through the recycling program managed by the Public Works Department. Those revenues are classified as "Miscellaneous" and totaled \$35,000 for Fiscal Year 2011.

Tourism Fund - The tourism fund collected \$363,000 in hotel/motel tax revenue during Fiscal Year 2011, as well as \$26,000 in admission fees. Expenditures in the Tourism fund were \$287,000 in Fiscal Year 2011.

Sewer Fund - Operating revenues and expenditures in the Sewer Fund both increased during fiscal year 2011. Operating revenues increased 14% or \$548,000, from \$3,891,000 to \$4,440,000 in Fiscal Year 2011. Operating expenditures also increased 12% or \$425,000 over the prior fiscal year, from \$3,588,000 in the prior fiscal year to \$4,013,000 in the current fiscal year. This resulted in an increase to net assets in the Sewer Fund of \$155,000.

Budget variances in the General Fund

The General Fund revenues exceeded budgeted revenues by almost 5% (\$491,000). Most of this was due to sales tax revenues exceeding a very conservative budget; and the receipt of FEMA/TEMA proceeds related to the 2010 Flood. Total General Fund expenditures were 1.5% under budget (\$162,000). Although, the Fire Department and the Public Works Department each exceeded budgeted expenditures due to unforeseen repairs to vehicles. Debt Service Expenditures were also greater than budgeted due to accounting entries required as a result of the refunding of debt that occurred in May 2011. Proceeds from the sale of Bonds related to the refunding in May were recognized but not budgeted.

Capital asset and long-term debt activity

Capital asset activity included the emergency replacement of the City's telephone and voice mail system (\$46,523), and annual street resurfacing (\$214,387). The City disposed of twelve fully depreciated assets which had an original cost of \$323,109. Most of these assets were surplus vehicles. The City sold these assets on the on-line auction website, GovDeals.com and recorded approximately \$25,000 revenue in the General Fund as a result. The City added \$8,011,000 to Construction in Progress in the Sewer Fund as a result of the Sewer Rehab Project and Equalization Tank Project which are being funded by a loan with

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the State's Revolving Loan Fund program that includes \$5 million of American Recovery and Reinvestment Act (ARRA) funds in the form of "principal forgiveness".

Schedule of Changes in Capital Assets

	Balance			Balance
	July 1, 2010	Additions	Disposals	June 30, 2011
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 3,190,618	\$ -	\$ -	\$ 3,190,618
Construction in Progress	15,700	-	-	15,700
Total Capital Assets not being Depreciated	\$ 3,206,318	\$ -	\$ -	\$ 3,206,318
Capital Assets being Depreciated				
Buildings	\$ 7,424,221			\$ 7,424,221
Improvements	4,846,958	6,800		4,853,758
Machinery & Equipment	7,792,780	68,724	323,109	7,538,395
Infrastructure	4,697,866	214,387		4,912,253
Total Capital Assets being Depreciated	\$ 24,761,825	\$ 289,911	\$ 323,109	\$ 24,728,627
Business-type Activities				
Capital Assets not being Depreciated				
Land	\$ 2,139,071	\$ -	\$ -	\$ 2,139,071
Construction in Progress	1,644,054	8,010,938	-	9,654,992
Total Capital Assets not being Depreciated	\$ 3,783,125	\$ 8,010,938	\$ -	\$ 11,794,063
Capital Assets being Depreciated				
Buildings	\$ 4,332,627	\$ -	\$ -	\$ 4,332,627
Improvements	16,188	-	-	16,188
Machinery & Equipment	1,288,256	22,710	-	1,310,966
Infrastructure	22,594,953	-	-	22,594,953
Total Capital Assets being Depreciated	\$ 28,232,023	\$ 22,710	\$ -	\$ 28,254,734
Governmental Activities				
Accumulated Depreciation				
Buildings	\$ 3,325,134	\$ 120,442		\$ 3,445,576
Improvements	2,799,976	126,497		2,926,473
Machinery & Equipment	6,334,784	458,933	323,109	6,470,608
Infrastructure	2,368,593	281,688		2,650,281
Total Accumulated Depreciation	\$ 14,828,487	\$ 987,561	\$ 323,109	\$ 15,492,939
Business-type Activities				
Accumulated Depreciation				
Buildings	\$ 1,005,066	\$ 230,166	\$ -	\$ 1,235,232
Improvements	5,050	522	-	5,572
Machinery & Equipment	881,790	78,627	-	960,417
Infrastructure	7,212,936	410,226	-	7,623,162
Total Accumulated Depreciation	\$ 9,104,842	\$ 719,541	\$ -	\$ 9,824,383
Total Governmental Activities, Net	\$ 13,139,656	\$ (697,650)	\$ -	\$ 12,442,007
Total Business-type Activities, Net	\$ 22,910,307	\$ 7,314,107	\$ -	\$ 30,224,414

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Schedule of Changes to Long-Term Liabilities – Governmental Activities

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due within 1 Year
Compensated Absences	\$ 477,266	\$ 385,433	\$ 258,109	\$ 604,590	\$ -
Net OPEB Obligation	810,659	521,270	118,911	1,213,018	-
Capital Leases	419,497	-	163,163	256,333	149,700
Notes Payable	589,596	145,000	452,867	281,730	154,870
Debt Refunding Premium	-	7,105	85	7,020	-
Totals	\$ 2,297,019	\$ 1,058,808	\$ 993,050	\$ 2,355,672	\$ 304,570

Schedule of Changes to Long-Term Debt – Business-type Activities

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Due Within 1 Year
Compensated Absences	\$ 25,563	\$ 22,307	\$ 17,775	\$ 30,095	\$ -
Net OPEB Obligation	-	45,614	-	45,614	-
Notes Payable	3,788,253	9,916,212	3,788,253	9,916,212	8,139,833
Revenue Bonds	230,000	-	110,000	120,000	120,000
Debt Refunding Premium	-	151,470	1,804	149,666	-
Totals	\$ 4,043,815	\$ 9,984,133	\$ 3,916,028	\$ 10,111,920	\$ 8,259,833

Other Matters

The economy seemed to make an upward turn in the City of Goodlettsville during the Fiscal Year 2011. As reported last year, the last two months of Fiscal Year 2010 saw same-period-last-year retail sales tax collections increases; and that trend continued throughout Fiscal Year 2011. Each month during the year saw an increase in local option sales tax collections compared to the prior year, with an average increase of 12%. This is certainly a significant trend reversal from the previous 18-20 months of decreases. The City recognizes that this is a trend that will probably "level off" at some point in the future, and has been cautiously conservative projecting revenue for Fiscal Year 2012 and beyond.

Fiscal Year 2011 was the first "full" year operating on the new financial and management software. This has been a very successful project with positive results. The software's full array of products have not yet been fully utilized. There remain benefits and efficiencies to be achieved with this management tool. Staff continues to explore how the City can maximize its potential.

The City began utilizing GovDeals.com, an on-line auction site specifically for government sales of surplus assets. This program has been very successful, and a great improvement over the previous "live" auctions that would take place every two to three years. The City recorded \$25,000 in gains related to sales of surplus equipment during the Fiscal Year 2011, and continues to recognize gains early into FY 2012.

During the audited year and early into the next year, there were several retirements of long-term employees which created opportunities. There remain several employees in key positions within the City that are eligible for retirement; and management is diligently working on a succession plan for the future.

Several new policies were either being developed or were both developed and approved during the year. A Fund Balance Policy was both developed and approved in FY 2011. A Debt Management Policy was developed during the year and scheduled to be considered by the Board of Commissioners early in FY2012. Revisions to the City's Purchasing Policy were being discussed by staff with a goal of presenting to the Board of Commissioners sometime late in FY2012.

The City took proposals for a hotel/motel tax audit and scheduled to have the audit performed early in FY 2012. The State allows each municipality collecting an occupancy tax the right to conduct an annual audit of each hotel. This will be the first time the City of Goodlettsville conducts such an audit.

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A new Employee Handbook was developed and adopted during the year. The old Handbook was several years old, and much of it had become obsolete. An extensive study and analysis of all City Employee policies was conducted by a committee consisting of employee representatives from each department. The new handbook was distributed to each employee, and is routinely presented to each new hire.

In the spring of 2011, the City refunded a portion of its outstanding debt to take advantage of lower interest rates. This was a lengthy and detailed project that included the City's credit rating being evaluated by Moody's. Moody's concluded after analyzing all facets of the City's operations, finances, demographics and organization, that the rating was Aa3, which was consistent with its previous rating. Maintaining the same rating in a very negative economic time period is quite an accomplishment, and speaks highly of the City.

The City through its economic development efforts continually works to market Goodlettsville as an attractive location for retail and commercial businesses to locate within. There is a constant inquiry from site selectors and the city has seen various new businesses decide to locate in Goodlettsville.

During FY 2012 the City will embark in efforts to assure that all operations within the city are functioning in the most efficient manner possible. There will be a Comprehensive Management Review (CMR) performed on each department by the Municipal Technical Advisory Service. There will also be various other performance measurement standards put in place, as well as the entire city taking part in the Baldrige National Quality Program.

CITY OF GOODLETTSVILLE, TENNESSEE
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,868,931	\$ 4,124,015	\$ 7,992,945
Receivables, Net	4,271,568	518,852	4,790,421
Internal Balances, Net	39,386	(39,386)	0
Inventories	20,134	-	20,134
Prepaid Expenses	88,645	467	89,113
Unamortized Bond Costs, Net	-	1,506	1,506
Capital Assets:			
Land, Land Improvements & Construction in Progress	3,206,318	11,794,063	15,000,381
Other Capital Assets, Net of Depreciation	9,235,689	18,430,352	27,666,041
Total Capital Assets	<u>12,442,007</u>	<u>30,224,415</u>	<u>42,666,422</u>
 Total Assets	 <u>20,730,671</u>	 <u>\$ 34,829,969</u>	 <u>\$ 55,560,640</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts Payable and Other Current Liabilities	\$ 438,863	\$ 1,105,608	\$ 1,544,471
Deferred Revenue	3,048,870	-	3,048,870
Long-term Liabilities:			
Compensated Absences	604,590	30,095	634,685
Net OPEB Obligation	1,213,018	45,614	1,258,632
Current Portion	304,570	8,259,833	8,564,403
Long-term Portion	233,493	2,863,140	3,096,632
Debt Refunding Premiums	7,020	149,666	156,686
Total Liabilities	<u>5,850,424</u>	<u>12,453,956</u>	<u>18,304,381</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	11,896,924	18,953,282	30,850,206
Restricted for:			
Street Aid	53,880	-	53,880
Conference Drive	600,202	-	600,202
Drug Fund	-	-	-
Tourism	802,736	-	802,736
Unrestricted	1,526,506	3,422,731	4,949,237
Total Net Assets	<u>14,880,247</u>	<u>22,376,013</u>	<u>37,256,260</u>
 Total Liabilities and Net Assets	 <u>\$ 20,730,671</u>	 <u>\$ 34,829,969</u>	 <u>\$ 55,560,640</u>

See notes to the financial statements.

CITY OF GOODLETTSVILLE, TENNESSEE
Statement of Activities
For the Year Ended June 30, 2011

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>		<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	
Functions/Programs:						
Primary government:						
Governmental activities:						
General government	\$ 3,441,250	\$ 236,453	\$ 30,000	\$ -	\$ -	\$ (2,862,897)
Public safety	5,502,153	249,802	-	-	-	(5,249,306)
Public works	1,245,971	30,822	433,985	-	-	(781,164)
Sanitation	845,076	822,711	-	-	-	(22,365)
Parks and recreation	1,313,301	249,439	-	-	-	(1,063,862)
Tourism	323,864	26,112	3,815	-	-	(293,936)
Interest on long-term debt	40,026	-	-	-	-	(40,026)
Total Governmental Activities	<u>12,711,642</u>	<u>1,615,340</u>	<u>467,800</u>	<u>-</u>	<u>-</u>	<u>(10,313,557)</u>
Business-type Activities:						
Sewer	4,264,052	4,493,710	-	-	229,658	229,658
Total Business-type Activities	<u>4,264,052</u>	<u>4,493,710</u>	<u>-</u>	<u>-</u>	<u>229,658</u>	<u>229,658</u>
Total Primary Government	<u>\$ 16,975,694</u>	<u>\$ 6,109,050</u>	<u>\$ 467,800</u>	<u>\$ 229,658</u>	<u>\$ (10,083,898)</u>	
General Revenues:						
Property and Personalty Taxes	3,117,133			-	-	3,117,133
TVA and Other PILOT Taxes	291,630			-	-	291,630
Income Taxes	98,458			-	-	98,458
Sales Taxes	4,934,557			-	-	4,934,557
Alcoholic Beverage Taxes	658,616			-	-	658,616
Business Taxes	341,693			-	-	341,693
Hospitality Taxes	443,718			-	-	443,718
Miscellaneous State Taxes	4,014			-	-	4,014
Unrestricted Investment Earnings	9,127			23,384	-	32,510
Gain on Sale of Assets	98,308			-	-	98,308
Miscellaneous	28,806			29,473	-	58,279
Transfers, Net	105,359			(105,359)	-	-
Total General Revenues and Transfers	<u>10,131,419</u>			<u>(52,502)</u>	<u>10,078,917</u>	
Change in Net Assets				(182,138)	177,156	(4,982)
Net Assets - July 1, 2010				15,029,492	22,198,857	37,228,349
Prior Period Adjustment				32,893	-	32,893
Net Assets - June 30, 2011	<u>\$ 14,880,247</u>			<u>\$ 22,376,013</u>	<u>\$ 37,256,260</u>	

See notes to the financial statements.

CITY OF GOODLETTSVILLE, TENNESSEE
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash on Hand	\$ 1,755	\$ -	\$ 1,755
Cash in Bank	2,797,034	1,070,142	3,867,176
Receivables, Net	3,407,528	95,459	3,502,987
Intergovernmental Receivables	696,003	-	696,003
Due From Other Funds	106,889	664	107,553
Inventory	20,134	-	20,134
Prepaid Expenses	87,712	933	88,645
Total Assets	<u>\$ 7,117,055</u>	<u>\$ 1,167,198</u>	<u>\$ 8,284,253</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 191,878	\$ 48,667	\$ 240,545
Due To Other Funds	28,183	39,983	68,166
Other Current Liabilities	128,888	10,840	139,728
Deferred Compensation	6,393	143	6,536
Deferred Revenue	3,048,870	-	3,048,870
Total Liabilities	<u>3,404,212</u>	<u>99,633</u>	<u>3,503,845</u>
Fund Balances			
Nonspendable:			
Inventory	20,134	-	20,134
Prepaid Expense	87,712	933	88,645
Restricted For:			
State Street Aid	53,880	-	53,880
Conference Drive	600,202	-	600,202
Drug Fund	-	-	-
Tourism	-	907,821	907,821
Committed To:			
City Park System	417,825	-	417,825
Sanitation Fund	-	130,325	130,325
Assigned To:			
OPEB	500,830	-	500,830
Tourism	-	29,916	29,916
Unassigned	2,032,259	(1,430)	2,030,829
Total Fund Balances	<u>3,712,843</u>	<u>1,067,565</u>	<u>4,780,408</u>
Total Liabilities and Fund Balances	<u>\$ 7,117,055</u>	<u>\$ 1,167,198</u>	<u>\$ 8,284,253</u>

Reconciliation of Balance Sheet- Governmental Funds to Statement of Net Assets are different because:

Total Governmental Fund Balances	\$ 4,780,408
Assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	72,578
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,442,007
Some liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(2,414,747)
Net Assets of the Governmental Activities	<u>\$ 14,880,247</u>

See notes to the financial statements.

CITY OF GOODLETTSVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues			
Local Taxes	\$ 8,210,565	\$ -	\$ 8,210,565
Licenses and Permits	238,258	-	238,258
Fines	221,503	-	221,503
Drug and Gambling Revenue	-	27,312	27,312
Intergovernmental Revenues	2,024,861	-	2,024,861
Charges for Services	278,034	813,733	1,091,767
Hotel/ Motel Taxes	-	362,354	362,354
Interest	-	1,080	1,080
Miscellaneous Revenues	23,122	52,335	75,457
Total Revenues	<u>10,996,344</u>	<u>1,256,814</u>	<u>12,253,158</u>
Expenditures			
Current:			
General Government	2,525,674	-	2,525,674
Public Safety	5,039,840	-	5,039,840
Public Works	969,315	-	969,315
Sanitation	-	773,941	773,941
Drug Fund	-	36,676	36,676
Parks and Recreation	1,248,625	-	1,248,625
Storm Expenditures	131,648	-	131,648
Tourism	-	286,989	286,989
Debt Service:			
Principal	616,030	-	616,030
Interest	55,135	-	55,135
Capital Outlay	456,563	-	456,563
Total Expenditures	<u>11,042,830</u>	<u>1,097,606</u>	<u>12,140,436</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(46,486)</u>	<u>159,208</u>	<u>112,722</u>
Other Financing Sources (Uses)			
Operating Transfers In	105,359	-	105,359
Sales of Capital Assets	24,988	-	24,988
Proceeds from Refunding Bonds	152,205	-	152,205
Insurance Recoveries	98,308	-	98,308
Total Other Financing Sources (Uses)	<u>380,860</u>	<u>-</u>	<u>380,860</u>
Net Change in Fund Balances	334,374	159,208	493,582
Fund Balance - July 1, 2010	3,977,400	103,983	4,081,383
Prior Period Adjustment	<u>(598,931)</u>	<u>804,375</u>	<u>205,444</u>
Fund Balances - June 30, 2011	<u><u>\$ 3,712,843</u></u>	<u><u>\$ 1,067,565</u></u>	<u><u>\$ 4,780,408</u></u>

See notes to the financial statements.

CITY OF GOODLETTSVILLE, TENNESSEE
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2011

Amounts reported for governmental activities in the statement of activities are different from the amounts reported for governmental funds in the statement of revenues, expenditures and changes in fund balances because:

Net change in fund balances - total governmental funds	\$ 493,582
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(697,650)
The net effect of various miscellaneous transactions involving capital assets is to increase net assets.	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	72,578
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	479,034
Some expense reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	(529,682)
Change in net assets of governmental activities	<u>\$ (182,138)</u>

CITY OF GOODLETTSVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Major Governmental Funds
For the Year Ended June 30, 2011

	General Fund			
	Budgeted Amounts			Positive (Negative) Variance with Final
	Original	Final	Actual	
Revenues				
Local Taxes:				
Property and Personalty Taxes	\$ 3,127,000	\$ 3,127,000	\$ 3,118,742	\$ (8,258)
Sales Taxes	3,564,611	3,564,611	3,951,733	387,122
Alcoholic Beverage Taxes	580,000	580,000	591,521	11,521
Business Taxes	350,000	350,000	341,693	(8,307)
Hospitality Taxes	65,000	65,000	81,364	16,364
Licenses and Permits	198,000	198,000	238,258	40,258
Fines	290,000	290,000	221,503	(68,497)
Intergovernmental Revenues:				
Sales Taxes	945,000	945,000	982,824	37,824
Gasoline and Motor Fuel Taxes	398,000	398,000	402,304	4,304
Income Taxes	109,000	109,000	102,472	(6,528)
Alcoholic Beverage Taxes	65,000	65,000	66,097	1,097
TVA - In Lieu of Tax	125,000	125,000	166,118	41,118
Transportation Taxes	32,000	32,000	31,681	(319)
Grants	125,600	125,600	273,365	147,765
Charges for Services	375,513	375,513	278,034	(97,479)
Miscellaneous Revenues	30,000	30,000	23,122	(6,878)
Total Revenues	<u>10,379,724</u>	<u>10,379,724</u>	<u>10,870,831</u>	<u>491,107</u>
Expenditures				
Current:				
General Government	2,554,840	2,563,840	2,525,674	38,166
Public Safety:				
Police	3,731,960	3,766,960	3,701,297	65,663
Fire	1,303,371	1,314,371	1,338,543	(24,172)
Public Works (also see below)				
Street Lights	102,000	102,000	102,419	(419)
Street Maintenance	115,000	115,000	93,052	21,948
Street Paving	213,000	213,000	214,357	(1,357)
Parks and Recreation	1,406,878	1,414,878	1,248,625	166,253
Storm Expenditures	-	248,000	131,648	116,352
Debt Service:				
Principal	474,265	474,265	616,030	(141,765)
Interest	-	-	55,135	(55,135)
Capital Outlay	191,000	259,535	242,206	17,329
Total Expenditures	<u>10,817,708</u>	<u>11,204,743</u>	<u>11,042,830</u>	<u>161,912</u>
Excess of Revenues Over (Under) Expenditures	<u>(437,984)</u>	<u>(825,019)</u>	<u>(171,999)</u>	<u>653,020</u>
Other Financing Sources (Uses)				
Operating Transfers In	75,000	75,000	105,359	30,359
Operating Transfers Out	(40,000)	(40,000)	-	40,000
Sales of Capital Assets	-	-	24,988	24,988
Proceeds from Sale of Bonds	-	-	152,205	152,205
Insurance Recoveries	-	491,445	98,308	(393,137)
Total Other Financing Sources (Uses)	<u>35,000</u>	<u>526,445</u>	<u>380,860</u>	<u>(145,584)</u>
Net Change in Fund Balances	(402,984)	(298,574)	208,862	611,846
Fund Balance - July 1, 2010	<u>3,977,400</u>	<u>3,977,400</u>	<u>3,977,400</u>	<u>-</u>
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>(598,931)</u>	<u>(598,931)</u>
Fund Balances - June 30, 2011	<u>\$ 3,574,416</u>	<u>\$ 3,678,825</u>	<u>\$ 3,587,331</u>	<u>\$ 12,915</u>

See notes to the financial statements.

CITY OF GOODLETTSVILLE, TENNESSEE
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-Type Activities Sewer Fund
Assets	
Current Assets	
Cash	\$ 4,124,015
Accounts Receivable, Less Allowance of \$4,235	518,852
Due from Other Funds	27,520
Prepaid Expenses	467
Total Current Assets	4,670,854
Capital Assets	
Capital Assets	40,048,797
Accumulated Depreciation	(9,824,382)
Total Capital Assets	30,224,415
Utility Deposit	100
Unamortized Bond Cost, Net	1,506
Total Assets	\$ 34,896,875
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 1,056,509
Accrued Interest Payable	11,871
Accrued Wages, Payroll Taxes and Deductions Payable	7,606
Deferred Compensation	933
Deposits Payable	28,689
Due to Other Funds	66,905
Current Portion of Long-Term Liabilities	8,259,833
Total Current Liabilities	\$ 9,432,347
Long-Term Liabilities	
Compensated Absences Payable	30,095
Net OPEB Obligation	45,614
Revenue Bonds Payable	2,863,140
Debt Refunding Premium	149,666
Total Long-Term Liabilities	3,088,515
Total Liabilities	12,520,861.76
Net Assets	
Invested in Capital Assets, Net of Related Debt	18,953,282
Unrestricted	3,422,731
Total Net Assets	22,376,013
Total Liabilities and Net Assets	\$ 34,896,875

See notes to the financial statements.

CITY OF GOODLETTSVILLE, TENNESSEE
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Business-type Activities - Sewer Fund
Operating Revenues	
Charges for Services:	
Sewer Fees - Davidson County	\$ 3,541,936
Sewer Fees - Sumner County	826,642
Sewer Flow Charges	48,864
Permits/Connection Fees	22,125
Total Operating Revenues	4,439,567
Operating Expenses	
Cost of Services	2,013,738
Administration	1,021,729
Depreciation and Amortization	721,519
Insurance	126,868
Repairs and Maintenance	129,188
Total Operating Expenses	4,013,042
Operating Income	426,525
Non-Operating Revenues (Expenses)	
Interest Revenue	23,384
Interest Expense	(250,403)
Paying Agents Fee	(608)
Rental Income	28,320
Tap Fees	54,144
Insurance Recoveries	1,153
Total Non-Operating Revenues (Expenses)	(144,010)
Income before Transfers	282,515
Transfers	(105,359)
Increase in Net Assets	177,156
Net Assets - July 1, 2010	22,198,857
Net Assets - June 30, 2011	\$ 22,376,013

See notes to the financial statements.

CITY OF GOODLETTSVILLE, TENNESSEE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	<u>Business-type Activities - Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 4,439,567
Cash Payments to Suppliers for Goods and Services	(1,982,700)
Cash Payments to Employees for Services	(691,817)
Net Cash Provided by Operating Activities	<u>1,765,050</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Issuance of Bonds	9,916,211
Principal Paid on Bonds/Notes	(3,748,587)
Interest Paid on Long-Term Debt	(249,032)
Cash Received from Tap Fees	54,144
Paying Agents Fee	(608)
Acquisition and Construction of Capital Assets	(8,033,648)
Insurance Proceeds	1,153
Net Cash Used by Capital and Related Financing Activities	<u>(2,060,367)</u>
Cash Flows from Noncapital Financing Activities:	
Increase in Transfer to Other Funds	(105,359)
Net Cash Used by Noncapital Financing Activities	<u>(105,359)</u>
Cash Flows from Investing Activities:	
Cash Received from Billboard Rentals	28,320
Interest Received	23,384
Net Cash Provided by Investing Activities	<u>51,704</u>
Net Increase (Decrease) in Cash	(348,972)
Cash at Beginning of Year	<u>4,472,987</u>
Cash at End of Year	<u><u>\$ 4,124,015</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 426,525
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	721,519
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(183,938)
Increase in Prepaid Expenses	(467)
Increase in Accounts Payable	977,290
Decrease in Payroll Liabilities	(7,135)
Increase in Net OPEB Obligation	45,614
Decrease in Due from/to Other Funds, Net	(214,359)
Net Cash Provided by Operating Activities	<u><u>\$ 1,765,050</u></u>

See notes to the financial statements.

CITY OF GOODLETTSVILLE, TENNESSEE
Notes to Financial Statements
June 30, 2011

Note 1. Significant Accounting Policies

The City of Goodlettsville's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds. The City has chosen to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City of Goodlettsville is a municipality governed by an elected five-member commission. These financial statements present the financial position and activities of the City government only. The City has no component units, thus no blended or discretely presented component units are included in these financial statements.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not property included among program revenues are reported instead as general revenues.

Fund Financial Statements

The government uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The City has its funds classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities including the collection and disbursement of earmarked monies (special revenue funds) and the acquisition or construction of general fixed assets (capital projects funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

CITY OF GOODLETTSVILLE, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2011

Note 1. Significant Accounting Policies – Continued
B. Government-wide and Fund Financial Statements - Continued

The following is a list of the City's funds:

I. Governmental Fund Types

General Fund - primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

Special Revenue Funds - accounts for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities. The Special Revenue Funds are the Solid Waste Fund, Tourism Fund and Drug Fund. The Solid Waste, Tourism and Drug Funds are not considered major funds for reporting purposes.

II. Proprietary Fund Types

Enterprise Fund - The Sewer Fund is used to account for the revenues generated from the charges for sanitary sewer services provided to the residential and commercial users of the City.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues to be available in the period for which levied if they are collected within 60 days of the end of the current fiscal period. Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue and charges for services. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies 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 City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

The City uses the modified accrual basis for budgetary accounting and has established the following procedures with regard to the budgetary data reflected in the financial statements:

CITY OF GOODLETTSVILLE, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2011

Note 1. Significant Accounting Policies – Continued

D. Budgets and Budgetary Accounting

1. Prior to May 15 the proposed operating budgets are presented to the City Commission for review and approval.
2. The budget is legally enacted through the passage of an ordinance which also sets the tax rate.
3. Revisions to the budget during the fiscal year require the City Commission's approval.
4. Budgets for the various funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

E. Cash and Cash Equivalents

The City defines its cash and cash equivalents to include only cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition, including restricted cash. State statutes authorize the City to invest in obligations of the U.S. Treasury, certificates of deposit, certain federal nonconvertible debt securities, repurchase agreements and the State Treasurer's Investment Pool. Cash equivalents are stated at cost.

F. Inventories

Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

G. Capital Assets

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$100,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are expensed. Estimated useful lives are as follows:

	Estimated Useful Life (Years)
Buildings	40
Improvements	7 - 40
Machinery & Equipment	5 - 10
Infrastructure	15 - 20

H. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. An employee's total accumulated vacation time may not exceed the following amounts: 120 hours after five years of employment; 160 hours after ten years of employment; and 400 hours after twenty years of employment. Employees may accumulate unused sick time up to 960 hours, of which 50% is paid upon retirement.

I. Property Tax

Taxes are levied on October 1 and are due and payable on or before February 28 of the following year. Uncollected property taxes attach as an enforceable lien on property as of March 1. Property tax revenues are recognized when levied. An allowance is established for delinquent taxes to the extent that their collectability is doubtful.

CITY OF GOODLETTSVILLE, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2011

Note 1. Significant Accounting Policies – Continued

I. Property Tax - Continued

Under GASB Statement 33, *Accounting for Non-Exchange Transactions*, property taxes are imposed nonexchange revenue. Assets (accounts receivable) from imposed nonexchange transactions are recorded when the City has an enforceable legal claim to the asset. The enforceable legal claim date for property taxes is the assessment date. The assessment date has been designated in the enabling legislation as of January 1. Therefore, the City has recorded the succeeding year's receivable and deferred revenue for taxes assessed as of year-end that will not be received until after year-end.

J. Interfund Receivables and Payables

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

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. All other interfund transfers are reported as operating transfers.

L. Long-Term Liabilities

Long-term liabilities consist of bonds, notes, and other indebtedness including liabilities associated with compensated absences and postemployment benefits. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

M. Fund Balance

Beginning July 1, 2010, the City classifies fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement classifies fund balances into clearly defined categories making the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints as defined in the City's fund balance policy:

Nonspendable Fund Balance – Funds that cannot be spent due to their form (e.g. inventories, prepaid items, and long term receivables) or funds that legally or contractually must be maintained intact (e.g. endowments).

Restricted Fund Balance – Funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation (e.g. state or federal requirements restricting use of certain funds, creditor loan covenants, and private donations).

CITY OF GOODLETTSVILLE, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2011

Note 1. Significant Accounting Policies – Continued

M. Fund Balance - Continued

Committed Fund Balance – Funds that are set aside for a specific purpose by the City's highest level of decision-making authority (i.e. Board of Commission) and the highest form of authority (ordinance). This commitment of funds is authorized by ordinance and is binding unless removed by ordinance. Formal action must be taken prior to the end of the fiscal year; however, the actual amount can be determined after the close of the year.

Assigned Fund Balance – Funds that are set aside with the intent to be used for a specific purpose by the City's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assignment of fund balance is less formal than the commitment of fund balance. It does not require formal action.

Unassigned Fund Balance – Excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. This category is also referred to as "surplus".

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, it shall be the policy of the City to use the restricted amounts first as permitted under the law. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City to use the committed amounts first, followed by the assigned amounts and then unassigned amounts.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The government-wide financial statements split the City programs between governmental and business-type activities. The beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental activities reflects fund balance for governmental funds adjusted for the conversion to the accrual basis of accounting from last year.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sewer services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund.

P. Contributions of Capital

Contributions of capital in the proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Contributions of capital assets are recorded as revenue in the Statement of Revenue, Expenses and Changes in Fund Net Assets.

Q. Estimates

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

CITY OF GOODLETTSVILLE, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2011

Note 2. Budgetary Basis of Accounting

The City uses a modified accrual basis for budgeting in governmental funds and full accrual basis for budgeting in proprietary funds.

Note 3. Cash and Investments

The City has no formal deposit and investment policies other than those prescribed by State of Tennessee statute and explained below.

Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by Federal Deposit Insurance Corporation insurance (FDIC). Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

As of June 30, 2011, all of the City's deposits and investments were held by financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee or in the State of Tennessee Local Government Investment Pool ("LGIP"). Participating banks in the bank collateral pool determine the aggregate balance of their public fund accounts. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held. Collected securities required to be pledged by the participant 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 individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under the additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk disclosure.

Proprietary fund restricted cash and investments are, from time to time, on deposit with SunTrust Bank, a participant in the bank collateral pool and the revenue bond paying agent. These assets are restricted to use as revenue bond interest payments and bond retirement in accordance with provisions of the various bond resolutions. As of June 30, 2011, there were no restricted investments.

Note 4. Pension Plan
A. Plan Description

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

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

CITY OF GOODLETTSVILLE, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2011

Note 4. Pension Plan - Continued

B. Funding Policy

The City of Goodlettsville has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

The City of Goodlettsville is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 15.71% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City of Goodlettsville is established and may be amended by the TCRS Board of Trustees.

C. Annual Pension Cost

For the year ending June 30, 2011, the City of Goodlettsville's annual pension cost of \$905,007 to TCRS was equal to the City of Goodlettsville's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The City of Goodlettsville's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 6 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 905,007	100.00%	\$ -
June 30, 2010	\$ 864,661	100.00%	\$ -
June 30, 2009	\$ 846,263	100.00%	\$ -

D. Funding Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 79.45% percent funded. The actuarial accrued liability for benefits was \$18.2 million, and the actuarial value of assets was \$14.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.5 million, and the ratio of the UAAL to the covered payroll was 68.54% percent.

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

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

CITY OF GOODLETTSVILLE, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2011

Note 4. Pension Plan – Continued
D. Funding Status and Funding Progress - Continued

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ 14,455	\$ 18,194	\$ 3,739	79.45%	\$ 5,455	68.54%
July 1, 2007	\$ 12,982	\$ 16,132	\$ 3,150	80.47%	\$ 5,312	59.30%

Note 5. Deferred Compensation Plan

The City has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by ING Life Insurance and Annuity Company. The plan is available to full time employees after they have been with the City for six months. Employees may defer up to 25% of their gross pay to a maximum amount allowable under current IRS regulations per year. Deferred compensation is not available to employees until termination, retirement, death or financial hardship. The City made matching contributions totaling \$0 to the plan for the year ended June 30, 2011.

Note 6. Post-retirement Health Care Benefits

A. Program Description

The City provides post-retirement health care benefits (medical and life insurance) to all employees who retire from the City on or after attaining age 55 with at least 5 years of service, or at any age with at least 25 years of service through a single-employer defined benefit healthcare plan. Eligibility for continued medical benefits under the City's plan requires the retired employee be eligible for benefits from the Tennessee Consolidated Retirement System (See Note 4). Benefits for retirees under age 65 are deemed to be similar to those benefits provided for actives. The healthcare plan is assumed to be the primary plan of benefits prior to age 65. It is assumed to pay benefits secondary to Medicare after attaining age 65. Participants do not receive prescription drug benefits from the City upon attaining Medicare eligibility except as may be provided under the employer group insurance plan.

B. Funding Policy

The City provides the benefits by paying a portion of the retirees' insurance premiums for medical and life insurance coverage under fully insured plans. Certain current retirees are grandfathered under the provision of a fixed, non-escalating contribution rate. Other retirees and spouses must pay a percentage of the total premium cost. The percentage of the premium paid by the retirees and spouses depends on the years of service at retirement. It is assumed that all escalating premium contributions will increase in the future with medical trend. The City contribution to the program consists of pay-as-you-go premiums in excess of the retiree contributions. Plan members contributed approximately \$30,000 for fiscal 2011, approximately 16% of total premiums. The City contributions to the program for the fiscal year 2011 were \$119,000.

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual other post employment benefit (OPEB) cost (expense) for the program is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or

CITY OF GOODLETTSVILLE, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2011

Note 6. Post-retirement Health Care Benefits- Continued

C. Annual OPEB Cost and Net OPEB Obligation – Continued

funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Annual required contribution (ARC)	\$ 518,806	\$ 45,399	\$ 564,205
Interest on net OPEB obligation	33,545	2,935	36,480
Adjustments to annual required contributions	(31,081)	(2,720)	(33,801)
Annual OPEB cost (expense)	<u>521,270</u>	<u>45,614</u>	<u>566,884</u>
Contributions made	(118,911)	-	(118,911)
Increase in net OPEB obligation	402,358	45,614	447,973
Net OPEB obligation - beginning of the year	810,659	-	810,659
Net OPEB obligation - end of the year	<u>\$ 1,213,018</u>	<u>\$ 45,614</u>	<u>\$ 1,258,632</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>ANNUAL OPEB COST</u>	<u>ANNUAL EMPLOYER CONTRIBUTION</u>	<u>PERCENTAGE OF ANNUAL OPEB COST CONTRIBUTED</u>	<u>NET ENDING OPEB OBLIGATION/ (ASSET)</u>
2011	\$ 566,884	\$ 118,911	21%	\$ 1,258,632
2010	375,910	96,595	26%	810,659
2009	674,000	97,000	21%	531,344

D. Funding Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$6,229,520, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,242,681, and the ratio of the unfunded actuarial liability to the covered payroll was 118.83%.

Actuarial values of the program involve estimates of the value of reported amounts and assumptions of the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The City has designated \$500,000 assigned general fund balance for OPEB obligation. Since the city has not established an irrevocable trust, there are no separate plan assets reported under GASB 45.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the program (as understood by the employer and eligible participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participants at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF GOODLETTSVILLE, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2011

Note 6. Post-retirement Health Care Benefits- Continued
E. Actuarial Methods and Assumptions - Continued

In the actuarial valuation performed as of January 1, 2011, the individual unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return (compounded annually net after investment expenses) and an annual healthcare cost trend rate of 8% graded to 5% uniformly over 6 years. Both rates include a 3% inflation assumption. The City's unfunded actuarial accrued liability is being amortized as a level dollar of active member payroll over a closed period. The remaining amortization period at April 1, 2011 was 30 years.

Note 7. Property Taxes Receivable

Gross property taxes receivable of \$3,415,798 (allowance for doubtful accounts is \$0) is summarized, by year, on the Schedule of Changes in Property Taxes Receivable on page 41 of this report.

Note 8. Capital Assets

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2011:

	Balance 7/1/2010	Additions	Disposals	Balance 6/30/2011
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 3,190,618	\$ -	\$ -	\$ 3,190,618
Construction in Progress	15,700	-	-	15,700
Total Capital Assets not being Depreciated	<u>\$ 3,206,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,206,318</u>
Capital Assets being Depreciated				
Buildings	\$ 7,424,221	\$ -	\$ -	\$ 7,424,221
Improvements	4,846,958	6,800	-	4,853,758
Machinery & Equipment	7,792,780	68,724	323,109	7,538,395
Infrastructure	4,697,866	214,387	-	4,912,253
Total Capital Assets being Depreciated	<u>\$ 24,761,825</u>	<u>\$ 289,911</u>	<u>\$ 323,109</u>	<u>\$ 24,728,627</u>
Business-type Activities				
Capital Assets not being Depreciated				
Land	\$ 2,139,071	\$ -	\$ -	\$ 2,139,071
Construction in Progress	1,644,054	8,010,938	-	9,654,992
Total Capital Assets not being Depreciated	<u>\$ 3,783,125</u>	<u>\$ 8,010,938</u>	<u>\$ -</u>	<u>\$ 11,794,063</u>
Capital Assets being Depreciated				
Buildings	\$ 4,332,627	\$ -	\$ -	\$ 4,332,627
Improvements	16,188	-	-	16,188
Machinery & Equipment	1,288,256	22,710	-	1,310,966
Infrastructure	22,594,953	-	-	22,594,953
Total Capital Assets being Depreciated	<u>\$ 28,232,023</u>	<u>\$ 22,710</u>	<u>\$ -</u>	<u>\$ 28,254,734</u>
Governmental Activities				
Accumulated Depreciation				
Buildings	\$ 3,325,134	\$ 120,442	\$ -	\$ 3,445,576
Improvements	2,799,976	126,497	-	2,926,473
Machinery & Equipment	6,334,784	458,933	323,109	6,470,608
Infrastructure	2,368,593	281,688	-	2,650,281
Total Accumulated Depreciation	<u>\$ 14,828,487</u>	<u>\$ 987,561</u>	<u>\$ 323,109</u>	<u>\$ 15,492,939</u>

CITY OF GOODLETTSVILLE, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2011

Note 8. Capital Assets - Continued

Business-type Activities

Accumulated Depreciation

Buildings	\$ 1,005,066	\$ 230,166	\$ -	\$ 1,235,232
Improvements	5,050	522	-	5,572
Machinery & Equipment	881,790	78,627	-	960,417
Infrastructure	7,212,936	410,226	-	7,623,162
Total Accumulated Depreciation	<u>\$ 9,104,842</u>	<u>\$ 719,541</u>	<u>\$ -</u>	<u>\$ 9,824,383</u>
Total Governmental Activities, Net	\$ 13,139,656	\$ (697,650)	\$ -	\$ 12,442,007
Total Business-type Activities, Net	\$ 22,910,307	\$ 7,314,107	\$ -	\$ 30,224,414

Depreciation Expense by Function

General Government	581,024
Public Safety	230,747
State Street Aid	77,700
Sanitation	48,225
Parks & Recreation	23,024
Tourism	26,840
Sewer	719,541
	<u>\$ 1,707,102</u>

The City received insurance proceeds in the amount of \$99,461 for the impairment of various capital assets disposed during 2011.

Note 9. Long-Term Debt

Below is a condensed schedule of maturities for long-term debt and obligations at June 30, 2011. A detailed Schedule of Long-term Debt, Principal, and Interest Requirements is included on page 40 of this report.

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u> <u>Due</u>	<u>Interest</u> <u>Due</u>
2012	\$ 8,564,403	\$ 76,036
2013	490,764	68,776
2014	460,592	73,491
2015	440,000	51,150
2016	450,000	37,650
2017-2020	1,255,277	40,425
2021-2025	-	-
Total Long-term Debt	<u>\$ 11,661,036</u>	<u>\$ 347,530</u>

Long-term debt and obligations payable at June 30, 2011 are comprised of the following:

Revenue and Tax Refunding Bonds Issued to Finance

Construction, Bearing Interest at rates ranging from 1.35 to 3.75% Per Annum, Payable in Semi-Annual

Installments with the Final Payment Due April, 2012 \$ 120,000

State Revolving Loan #09-224, Bearing Interest Payments at

3.60% Per Annum, Interest only until construction is 90% complete

Payable in Monthly Installments with the Final Payment Due July 2029 7,722,973

CITY OF GOODLETTSVILLE, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2011

Note 9. Long-Term Debt - Continued
Business-type Activities

General Obligation Refunding Bond, Series 2011 Issued to Refinance Existing Debt, Bearing Interest at a Variable Rate ranging from 2.00% to 4.00% per Annum, Payable in Annual Installments with the Final Payment Due September 5, 2011.

	3,280,000
Total Sewer Fund Debt Payable	11,122,973
Less: Current Portion	(8,259,833)
Long-Term Debt Payable - Sewer Fund	\$ 2,863,140

The following is a summary of changes to long-term debt in the Business-type activities during the year ended June 30, 2011:

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Due Within 1 Year
Compensated Absences	\$ 25,563	\$ 22,307	\$ 17,775	\$ 30,095	\$ -
Net OPEB Obligation	-	45,614	-	45,614	-
Notes Payable	3,788,253	9,916,212	3,788,253	9,916,212	8,139,833
Revenue Bonds	230,000	-	110,000	120,000	120,000
Debt Refunding Premium	-	151,470	1,804	149,666	-
Totals	\$ 4,043,815	\$ 9,984,133	\$ 3,916,028	\$ 10,111,920	\$ 8,259,833

Governmental Activities

General Obligation Capital Outlay Bonds Issued to Finance Certain Public Works Projects, Bearing Interest at 4.22% Per Annum, Payable in Annual Installments with the Final Payment Due October 2011

\$ 136,730

Capital Lease Payable to First Tennessee Bank, National Association for Equipment, Bearing Interest at 4.2% Per Annum, Payable in Semi-Annual Installments of \$68,606 Principal and Interest Payments are Based on Total Debt of \$525,508, As of June 30, 2008, only \$296,161 had been Drawn on the Lease.

125,115

Capital Lease Payable to Ford Motor Credit for Equipment Bearing Interest at 6.4% Per Annum, Payable in Annual Installments of \$31,606, Principal and Interest Payments are Based on Total Debt of \$89,229.

29,705

Capital Lease Payable to Ford Motor Credit for Equipment Bearing Interest at 6.9% Per Annum, Payable in Annual Installments of \$8,050, Principal and Interest Payments are Based on Total Debt of \$22,626.

7,531

Capital Lease Payable to Ford Motor Credit for Equipment Bearing Interest at 7.75% Per Annum, Payable in Annual Installments of \$7,945, Principal and Interest Payments are Based on Total Debt of \$22,161.

7,373

CITY OF GOODLETTSVILLE, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2011

Note 9. Long-Term Debt - Continued
Governmental Activities - Continued

Capital Lease Payable to DivLend Equipment Leasing for Software Bearing Interest at 23% Per Annum, Payable in Annual Installments of \$44,823, Principal and Interest Payments are Based on Total Debt of \$129,105. 86,609

General Obligation Refunding Bond, Series 2011 Issued to Refinance Existing Debt, Bearing Interest at a Variable Rate ranging from 2.00% to 4.00% per Annum, Payable in Annual Installments with the Final Payment Due September 5, 2011. 145,000

Total Governmental Activities Long-Term Obligations	538,063
Less: Current Portion	<u>(304,570)</u>
Total Long-Term Governmental Activities Obligations	<u><u>\$ 233,493</u></u>

The following is a summary of changes to long-term liabilities in the Governmental activities during the year ended June 30, 2011. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

	Balance			Balance June 30, 2011	Due within 1 Year
	July 1, 2010	Additions	Reductions		
Compensated Absences	\$ 477,266	\$ 385,433	\$ 258,109	\$ 604,590	\$ -
Net OPEB Obligation	810,659	521,270	118,911	1,213,018	-
Capital Leases	419,497	-	163,163	256,333	149,700
Notes Payable	589,596	145,000	452,867	281,730	154,870
Debt Refunding Premium	-	7,105	85	7,020	-
Totals	<u><u>\$ 2,297,019</u></u>	<u><u>\$ 1,058,808</u></u>	<u><u>\$ 993,050</u></u>	<u><u>\$ 2,355,672</u></u>	<u><u>\$ 304,570</u></u>

Construction in Progress Loan

The City has ongoing construction projects in the sewer fund that are being financed by a State Revolving Loan ("SRL") which has total authorized borrowings of \$12.5 million. The \$12.5 million authorization is comprised of \$6,250,000 of state revolving loan money and \$6,250,000 of American Recovery and Reinvestment Act ("ARRA") funds. The loan balance as of June 30, 2011 was \$7,722,973. Interest is being paid monthly on the outstanding balance. Upon completion of the project, principal payments will be repaid as follows: \$5,000,000 of ARRA funds will be forgiven immediately and the remaining \$1,250,000 ARRA funds and \$6,250,000 will be repaid over 20 years. The entire loan balance is shown as current since the project is not complete as of June 30, 2011.

Note 10. Capital Leases

The City has ongoing lease agreements for the following capital assets as of June 30, 2011:

	Capitalized Cost
Public Safety Vehicles	\$ 224,686
General Government Vehicles/Equipment	183,563
Parks and Recreation Vehicles	21,975
Parks and Recreation Equipment	15,851
Public Works Equipment	49,666
Sanitation Vehicles	311,521
Total Assets in Machinery & Equipment	<u><u>\$ 807,262</u></u>

CITY OF GOODLETTSVILLE, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2011

Note 10. Capital Leases - Continued

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception dates. The future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2011, are as follows:

Year Ended June 30,	Future Minimum Lease Pmts
2012	179,611
2013	88,416
2013	44,733
2014	-
Total Minimum Lease Payments	312,760
Less: Amount Representing Interest	(56,427)
Present Value of Future Minimum Lease Payments	\$ 256,333

Note 11. Construction Commitments

The City has the following construction projects in progress at June 30, 2011:

Construction Project	Total Estimated Cost	Total Expenses thru FYE 6/30/11
Governmental Activities:		
Greenway	n/a	\$ 15,700
Total Governmental Activities		\$ 15,700
Business-type Activities:		
Flow Equalization Basin	\$ 9,000,000	\$ 6,973,010
Sewer Rehab	\$ 4,500,000	\$ 2,681,982
Total Business-type Activities		\$ 9,654,992

The flow equalization basin and sewer rehab-phase 5 projects in progress at June 30, 2011 are two projects totaling \$13.5 million that are being funded by the State revolving loan 09-224 disclosed in Note 9. These projects are both funded partially by ARRA funds. (Refer to Note 9) As of June 30, 2011, significant additional construction work had been performed but had not been approved by appropriate contractors, engineers, lawyers, consultants and or the State revolving loan fund and therefore has not been accrued in the financial statements. Interest of \$74,968 paid on the State Revolving Loan 09-224 has been capitalized in construction in progress as of June 30, 2011.

Note 12. Interfund Receivables/Payables/Transfers

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

Due To	Due From					Total
	General Fund	Solid Waste Fund	Drug Fund	Tourism Fund	Sewer Fund	
General Fund	\$ -	\$ 27,613	\$ -	\$ 12,370	\$ 66,905	\$ 106,889
Solid Waste Fund	-	-	-	-	-	-
Drug Fund	664	-	-	-	-	664
Tourism Fund	-	-	-	-	-	-
Sewer Fund	27,519	-	-	-	-	27,519
Total	\$ 28,183	\$ 27,613	\$ -	\$ 12,370	\$ 66,905	\$ 135,072

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The balance is scheduled to be collected in the subsequent year.

CITY OF GOODLETTSVILLE, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2011

Note 12. Interfund Receivables/Payables/Transfers - Continued

The composition of interfund transfers for the year ended June 30, 2011, is as follows:

Transfer From	Transfer To				Total
	General Fund	Solid Waste Fund	Drug Fund	Sewer Fund	
General Fund	\$ -	-	\$ -	-	\$ -
Solid Waste Fund	-	-	-	-	-
Drug Fund	-	-	-	-	-
Sewer Fund	105,359	-	-	-	105,359
Total	\$ 105,359	\$ -	\$ -	\$ -	\$ 105,359

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the sewer fund to the general fund was a result of payments in lieu of tax that do not represent equivalent services provided (1).

Note 13. Contracts

The City has the following contracts for the billing and collection of sewer and sanitation charges for users:

- Madison Suburban Utility District (MSUD) handles the billing and collection of sewer and sanitation charges for users in Davidson County. The City currently pays MSUD \$2.06 and \$1.25 plus an adjustment based on Consumer Price Index (CPI) per bill per month for sewer and sanitation services, respectively.
- White House Utility District handles the billing and collection of sewer charges for users of the sewer system in Sumner County for a fee of \$1.50 per customer per month.
- Hendersonville Utility District provides sewage treatment and disposal for a set fee of \$.22 per 1,000 gallons used.

The Department of Water Services of Metropolitan Nashville also provides sewage treatment and disposal for a contracted fee. The utility price is \$1 /100 cubic feet of water flowing through each point of connection with adjustments for minimum and maximum flow levels and points of origin. The agreement also provides for indexed adjustment to the utility price annually. This agreement expires September 2030.

The City is a member of the Metro Sewer Users Association. The purpose of the Association is to improve communication and the distribution of information among members and to provide a unified approach in dealing with Metro Water Services and its role as a regional wastewater treatment service provider.

Note 14. Concentrations

The City has a risk concentration in sales tax revenue from Rivergate retail area taxpayers which is believed to represent more than 10% of the General Fund's total revenue for the year ended June 30, 2011.

Note 15. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool (TMLRMP), a

CITY OF GOODLETTSVILLE, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2011

Note 15. Risk Management - Continued

public entity risk pool currently operating as a common risk management and insurance program for municipalities. The City pays an annual premium to the TMLRMP for its insurance coverage. The TMLRMP is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event. Settled claims of the city have not exceeded insurance coverage in any of the past three fiscal years.

Note 16. Prior Period Adjustment

During 2011, the City identified and corrected misstatements involving intergovernmental accounts receivable and leasing transactions in the general fund. The net effect of these adjustments was a \$178,597 increase in fund balance.

During 2011, the City transferred \$777,528 of restricted fund balance from the general fund to the tourism fund. This resulted in an increase in fund balance for the tourism fund of \$777,528 from \$55,407 to \$832,935.

The net effect of these adjustments was a decrease in the general fund balance of \$598,931 from \$3,977,400 to \$3,378,469.

Accounts receivable in the amount of \$26,847 were not recorded in the solid waste fund for the year ended June 30, 2010. This resulted in an increase of \$26,847 in beginning fund balance of the solid waste fund.

The cumulative effect of all prior period adjustments was an increase in the amount of \$205,444 to the beginning fund balance of the governmental-type funds from \$4,081,382 to \$4,286,826 which resulted in an increase of \$32,893 to beginning net assets on the governmental-wide accrual basis financial statements from \$37,228,349 to \$37,261,242.

CITY OF GOODLETTSVILLE, TENNESSEE
Schedule of Retirement Plan Funding Progress
(Dollar Amounts in Thousands)
June 30, 2011

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/(c))
July 1, 2009	14,455	18,194	3,739	79.45%	5,455	68.54%
July 1, 2007	12,982	16,132	3,150	80.47%	5,312	59.30%

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

Refer to Footnote 4 for additional information and a description of the plan.

CITY OF GOODLETTSVILLE, TENNESSEE
Schedule of Post-retirement Health Care Benefits Program
(Dollar Amounts in Thousands)
June 30, 2011

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/(c))
January 1, 2011	-	6,230	6,230	0.00%	5,243	118.83%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The unit credit actuarial cost method has been used by the program for funding purposes.

Refer to Footnote 6 for additional information and a description of the program.

CITY OF GOODLETTSVILLE, TENNESSEE
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2011

	Special Revenue			Total Non-major Governmental Funds
	Solid Waste Fund	Drug Fund	Tourism Fund	
Assets				
Cash	\$ 114,842	\$ 1,386	\$ 953,914	\$ 1,070,142
Receivables, Net	95,459	-	-	95,459
Due From Other Funds	-	664	-	664
Prepaid Expenses	649	-	284	933
Total Assets	\$ 210,950	\$ 2,050	\$ 954,198	\$ 1,167,198
Liabilities and Fund Equity				
Liabilities				
Accounts Payable	\$ 47,369	\$ 1,262	\$ 36	\$ 48,667
Due to Other Funds	27,613	-	12,370	39,983
Deferred Compensation	143	-	-	143
Other Liabilities	979	-	-	979
Accrued Wages	3,872	2,218	3,771	9,861
Total Liabilities	79,976	3,480	16,177	99,633
Fund Balances				
Nonspendable:				
Prepaid Expenses	649	-	284	933
Restricted For:				
Drug Fund	-	-	-	-
Tourism Fund	-	-	907,821	907,821
Committed To:				
Sanitation Fund	130,325	-	-	130,325
Assigned To:				
Tourism Fund	-	-	29,916	29,916
Unassigned	-	(1,430)	-	(1,430)
Total Fund Balances	130,974	(1,430)	938,021	1,067,565
Total Liabilities and Fund Balances	\$ 210,950	\$ 2,050	\$ 954,198	\$ 1,167,198

See independent auditors' report.

CITY OF GOODLETTSVILLE, TENNESSEE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2011

	<u>Special Revenue</u>			Total Non-major Governmental Funds
	Solid Waste Fund	Drug Fund	Tourism Fund	
Revenues				
Drug Revenue	\$ -	\$ 27,312	\$ -	\$ 27,312
Hotel/ Motel Taxes	-	-	362,354	362,354
Charges for Services	787,827	-	25,906	813,733
Interest	1,049	31	-	1,080
Miscellaneous Revenue	34,884	13,636	3,815	52,335
Total Revenues	<u>823,760</u>	<u>40,979</u>	<u>392,075</u>	<u>1,256,814</u>
Expenditures				
Current:				
Solid Waste Fund	773,941	-	-	773,941
Drug Fund	-	36,676	-	36,676
Tourism Fund	-	-	286,989	286,989
Total Expenditures	<u>773,941</u>	<u>36,676</u>	<u>286,989</u>	<u>1,097,606</u>
Excess of Revenues Over (Under) Expenditures	49,819	4,303	105,086	159,208
Fund Balance - July 1, 2010	<u>54,309</u>	<u>(5,733)</u>	<u>55,407</u>	<u>103,983</u>
Prior Period Adjustment	<u>26,846</u>	<u>-</u>	<u>777,528</u>	<u>804,374</u>
Fund Balance - June 30, 2011	<u><u>\$ 130,974</u></u>	<u><u>\$ (1,430)</u></u>	<u><u>\$ 938,021</u></u>	<u><u>\$ 1,067,565</u></u>

See independent auditors' report.

CITY OF GOODLETTSVILLE, TENNESSEE
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds - Nonmajor Funds
For the Year Ended June 30, 2011

	Solid Waste Fund				Drug Fund				Tourism Fund				Total Special Revenue Funds			
	Original Budgeted	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Original Budgeted	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Original Budgeted	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Original Budgeted	Final Budgeted	Actual	Variance Favorable (Unfavorable)
Revenues																
Drug and Gambling Revenue	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ 27,312	\$ (22,688)	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ 27,312	\$ (22,688)
Hotel/Motel Tax	675,000	675,000	787,827	112,827	-	-	-	-	285,000	285,000	362,354	77,354	285,000	285,000	362,354	77,354
Charges for Services	20,000	20,000	1,049	1,049	-	-	31	31	10,000	10,000	25,906	15,906	685,000	685,000	813,733	128,733
Interest	-	-	34,884	14,884	-	-	13,536	13,536	-	-	3,815	3,815	20,000	20,000	52,336	32,336
Miscellaneous Revenues	695,000	695,000	823,760	128,761	50,000	50,000	40,979	(9,021)	295,000	295,000	392,075	97,075	1,040,000	1,040,000	1,296,815	256,815
Total Revenues	1,390,000	1,390,000	1,639,720	249,720	50,000	50,000	40,979	(9,021)	295,000	295,000	392,075	97,075	1,040,000	1,040,000	1,296,815	256,815
Expenditures																
Current:																
Sanitation	732,478	732,478	773,941	(41,463)	-	-	-	-	-	-	-	-	732,478	732,478	773,941	(41,463)
Drug and Gambling	-	-	-	-	50,000	50,000	36,676	13,324	-	-	-	-	50,000	50,000	36,676	13,324
Tourism	-	-	-	-	-	-	-	-	308,475	309,475	286,989	21,486	308,475	309,475	286,989	21,486
Total Expenditures	732,478	732,478	773,941	(41,463)	50,000	50,000	36,676	13,324	308,475	309,475	286,989	21,486	308,475	309,475	286,989	21,486
Excess of Revenues Over (Under) Expenditures	(37,478)	(37,478)	49,819	87,297	-	-	4,303	4,303	(13,475)	(14,475)	105,086	118,561	(50,953)	(51,953)	159,208	210,161
Other Financing Sources																
Operating Transfers In	37,478	37,478	-	(37,478)	-	-	-	-	-	-	-	-	37,478	37,478	-	(37,478)
Total Other Financing Sources	37,478	37,478	-	(37,478)	-	-	-	-	-	-	-	-	37,478	37,478	-	(37,478)
Net Change in Fund Balance	-	-	49,819	49,819	-	-	4,303	4,303	(13,475)	(14,475)	105,086	118,561	(13,475)	(14,475)	159,208	172,663
Fund Balance - July 1, 2010	54,309	54,309	54,309	-	(5,733)	(5,733)	(5,733)	-	55,407	55,407	55,407	-	103,983	103,983	103,983	-
Prior Period Adjustment	-	-	26,846	26,846	-	-	-	-	-	-	777,528	777,528	-	-	804,374	804,374
Fund Balance - June 30, 2011	\$ 54,309	\$ 54,309	\$ 130,974	\$ 76,665	\$ (5,733)	\$ (5,733)	\$ (1,430)	\$ 4,303	\$ 41,932	\$ 40,932	\$ 938,021	\$ 896,089	\$ 90,508	\$ 89,508	\$ 1,067,564	\$ 977,057

CITY OF GOODLETTSVILLE, TENNESSEE
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2011

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
<u>Federal Awards - ARRA</u>						
Environmental Protection Agency - Capitalization Grants for Clean Water State Revolving Fund Loan Forgiveness	ARRA - 66.458	CWA 2009-224	\$ (221,405)	\$ 2,654,453	\$ 3,173,679	\$ (740,631)
Environmental Protection Agency - Capitalization Grants for Clean Water State Revolving Fund	ARRA - 66.458	CWA 2009-224	(55,351)	663,613	793,420	(185,158)
<u>Federal Awards</u>						
State of TN, Department of Transportation - Governor's Highway Safety Grant	20.601	Z11GHS140	-	-	-	-
Department of Justice - Edward Byrne Memorial Justice TEMA	16.738 97.036	2009-DJ-BX-0148 34101-0000000596	-	3,045 239,322	3,045 311,874	- (72,552)
Total Federal Awards			(276,756)	3,560,433	4,282,018	(998,340)
<u>State Financial Assistance</u>						
TN Department of State - Community Enhancement Grant TEMA	N/A 97.036	N/A 34101-0000006114	17,300 -	- -	- 17,326	17,300 (17,326)
Tennessee Department of Environment and Conservation - Capitalization Grants for Clean Water State Revolving Fund	66.458	CWA 2009-224	(276,755)	3,318,066	3,967,099	(925,788)
Commission on Fire Fighting	N/A	N/A	-	9,000	9,000	-
Peace Officer Standard and Training Commission	N/A	N/A	-	21,000	21,000	-
Total State Financial Assistance			(259,455)	3,348,066	4,014,425	(925,814)
Total Federal Awards and State Financial Assistance			\$ (536,211)	\$ 6,908,499	\$ 8,296,443	\$ (1,924,154)

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Financial Assistance summarizes the expenditures of the City of Goodlettsville, Tennessee under the programs of the federal and state governments for the year ended June 30, 2011. The schedule is presented using the modified accrual basis of accounting.

Note 2. Loans Outstanding

At June 30, 2011, there was an outstanding balance of \$7,722,973 on 09-224 State Revolving Loan Fund. Payments to the State Revolving Loan Fund during the current fiscal year totaled \$341,297.

CITY OF GOODLETTSVILLE, TENNESSEE
Schedule of Reserve, Receipts and Disbursements
for State Street Aid
For the Year Ended June 30, 2011

State Street Aid		
Beginning Reserve for State Street Aid	\$	29,752
Receipts		
Gas Taxes	433,985	
Total Receipts	<u>433,985</u>	433,985
Expenditures		
Street Lights	102,419	
Street Maintenance	93,052	
Street Paving	0	
Long-term Debt	-	
Capital Improvements	<u>214,387</u>	
		<u>409,858</u>
Ending Reserve for State Street Aid	\$	<u><u>53,880</u></u>

See independent auditors' report.

CITY OF GOODLETTSVILLE, TENNESSEE
Schedule of Long-Term Debt, Principal, and Interest Requirements
 By Fiscal Year
 June 30, 2011

Fiscal Year Ended June 30,	Governmental Activities									
	Bank of America \$630,500 Bond Issue		General Obligation Refunding Bond, Series 2011		First Tennessee Bank Equipment Lease		2010 Ford Motor Equipment Lease		2010 Ford Motor Equipment Lease	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 136,730	\$ 2,885	\$ 18,139	\$ 1,688	\$ 82,480	\$ 4,707	\$ 29,705	\$ 1,901	\$ 7,531	\$ 520
2013	-	-	17,781	2,176	42,635	958	-	-	-	-
2014	-	-	17,993	2,724	-	-	-	-	-	-
2015	-	-	18,628	2,165	-	-	-	-	-	-
2016	-	-	19,051	1,594	-	-	-	-	-	-
2017	-	-	19,475	1,178	-	-	-	-	-	-
2018	-	-	20,321	533	-	-	-	-	-	-
2019	-	-	13,612	-	-	-	-	-	-	-
Total	\$ 136,730	\$ 2,885	\$ 145,000	\$ 12,059	\$ 125,115	\$ 5,665	\$ 29,705	\$ 1,901	\$ 7,531	\$ 520
Fiscal Year Ended June 30,	Governmental Activities						Business-type Activities			
	2010 Ford Motor Equipment Lease		2010 DivLend Equipment Lease		Total Governmental Activities		SRL 2010 \$12.5 Million Loan		Regions Bank \$635,000 Bond Issue	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 7,373	\$ 571	\$ 22,612	\$ 22,211	\$ 304,570	\$ 34,482	\$ 7,722,973	\$ -	\$ 120,000	\$ 3,375
2013	-	-	28,405	16,418	88,821	19,552	-	-	-	-
2014	-	-	35,592	9,141	53,585	11,865	-	-	-	-
2015	-	-	-	-	18,628	2,165	-	-	-	-
2016	-	-	-	-	19,051	1,594	-	-	-	-
2017	-	-	-	-	19,475	1,178	-	-	-	-
2018	-	-	-	-	20,321	533	-	-	-	-
2019	-	-	-	-	13,612	-	-	-	-	-
Total	\$ 7,373	\$ 571	\$ 86,609	\$ 47,770	\$ 538,063	\$ 71,371	\$ 7,722,973	\$ -	\$ 120,000	\$ 3,375
Fiscal Year Ended June 30,	Business-type Activities						Total			
	General Obligation Refunding Bond, Series 2011		Total Business-type Activities		Total		Principal		Interest	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 416,860	\$ 38,179	\$ 8,259,833	\$ 41,554	\$ 8,564,403	\$ 76,036	\$ 41,554	\$ 76,036	\$ 41,554	\$ 76,036
2013	401,943	49,224	401,943	49,224	490,764	68,776	490,764	68,776	490,764	68,776
2014	407,007	61,626	407,007	61,626	460,592	73,491	460,592	73,491	460,592	73,491
2015	421,372	48,985	421,372	48,985	440,000	51,150	440,000	51,150	440,000	51,150
2016	430,949	36,056	430,949	36,056	450,000	37,650	450,000	37,650	450,000	37,650
2017	440,525	26,647	440,525	26,647	460,000	27,825	460,000	27,825	460,000	27,825
2018	459,679	12,067	459,679	12,067	480,000	12,600	480,000	12,600	480,000	12,600
2019	301,665	-	301,665	-	315,277	-	315,277	-	315,277	-
Total	\$ 3,280,000	\$ 272,784	\$ 11,122,973	\$ 276,159	\$ 11,661,036	\$ 347,530	\$ 11,661,036	\$ 347,530	\$ 11,661,036	\$ 347,530

CITY OF GOODLETTSVILLE, TENNESSEE
Schedule of Changes in Property Taxes Receivable
and Uncollected Delinquent Taxes Filed
June 30, 2011

Year of Levy	Gross Property Taxes Receivable 7/1/2010	New Levy	Collections	Adjustments	Write-Offs	Gross Property Taxes Receivable 6/30/2011
2011	\$ -	\$ 3,048,715 ^	\$ -	\$ -	\$ -	\$ 3,048,715
2010	3,057,397		(2,960,545)	59,736 *	-	156,589
2009	138,789	-	(71,376)	-	-	67,413
2008	48,556	-	(13,177)	-	-	35,379
2007	53,023	-	(25,956)	-	-	27,067
2006	20,638	-	(6,644)	-	-	13,994
2005	23,494	-	3,878	-	-	27,372
2004	18,232	-	12,705	-	-	30,937
2003	5,911	-	635	-	-	6,546
2002	1,085	-	187	-	-	1,272
2001	514	-	-	-	-	514
Totals	\$ 3,367,639	\$ 3,048,715	\$ (3,060,292)	\$ 59,736	\$ -	\$ 3,415,798

Note: Delinquent property taxes receivable for the tax years 2010 - 2001 have been turned over for collection to the Sumner County and Metro trustees.

* represents adjustment of estimated 2010 tax levy recognized in prior year to actual 2010 tax levy recorded in the current year

^ estimate of 2011 tax levy

CITY OF GOODLETTSVILLE, TENNESSEE
Utility Rate Structure and Number of Customers
For the Year Ended June 30, 2011

The City of Goodlettsville's Sewer Fund had approximately 5,024 customers at June 30, 2011. Its rate structure was as follows:

Residential
*(Minimum Charges per Month up to 200
Cubic Feet Usage)*

Meter Size	Rate (\$)
5/8"	10.45
3/4"	29.67
1"	35.74
1 1/2"	52.53
2"	70.74
3"	93.35
4"	152.12
6"	238.86
8"	373.54
10"	373.54

Small Commercial and Industrial
*(Minimum Charges per Month up to 200
Cubic Feet Usage)*

Meter Size	Rate (\$)
5/8"	11.68
3/4"	33.23
1"	40.02
1 1/2"	58.84
2"	79.23
3"	104.54
4"	170.36
6"	267.53
8"	418.37
10"	418.37

Usage over 200
Cubic Feet 6.50 per 100 cu.ft.

Usage over 200
Cubic Feet 7.27 per 100 cu.ft.

Intermediate Commercial and Industrial
*(Minimum Charges per Month up to 200
Cubic Feet Usage)*

Meter Size	Rate (\$)
5/8"	38.26
3/4"	54.26
1"	59.44
1 1/2"	73.82
2"	90.17
3"	112.86
4"	178.64
6"	275.81
8"	429.34
10"	429.34

Large Commercial and Industrial
*(Minimum Charges per Month up to 200
Cubic Feet Usage)*

Meter Size	Rate (\$)
5/8"	1,476.63
3/4"	1,492.59
1"	1,497.78
1 1/2"	1,512.14
2"	1,528.50
3"	1,542.86
4"	1,608.72
6"	1,705.88
8"	1,867.69
10"	1,867.69

Usage over 200
Cubic Feet 3.43 per 100 cu.ft.

Usage over 200
Cubic Feet 4.48 per 100 cu.ft.

The City also had approximately 5,024 Solid waste customers at June 30, 2011 that are charged \$15/month per residential living unit.

CITY OF GOODLETTSVILLE, TENNESSEE
Schedule of Property Tax Rates and Assessments
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Levy Year</u>	<u>Tax Rate Per \$100 Davidson</u>	<u>Tax Rate Per \$100 Sumner</u>	<u>Realty Tax Levy</u>
2011	2010	.6338	.6338	\$ 3,117,133
2010	2009	.6338	.6338	3,085,580
2009	2008	.66	.66	2,887,879
2008	2007	.66	.66	2,840,113
2007	2006	.64	.69	2,689,509
2006	2005	.70	.66	2,615,245
2005	2004	.70	.66	2,582,866
2004	2003	.70	.66	2,589,828
2003	2002	.22	.22	857,270
2002	2001	.22	.22	775,948

See independent auditors' report.

Internal Control and Compliance Section

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor
And the Members of the City Commission
Goodlettsville, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Goodlettsville, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise City of Goodlettsville, Tennessee's basic financial statements and have issued our report thereon dated January 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Goodlettsville, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Goodlettsville, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Goodlettsville, Tennessee's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider items 11-1 and 11-2 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Goodlettsville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 11-3.

We noted certain other matters that we reported to management of City of Goodlettsville, Tennessee in a separate letter dated January 5, 2012.

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

This report is intended solely for the information and use of management, City Commission, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Parker, Parker & Associates

January 5, 2012

Parker, Parker & Associates, PLC

Certified Public Accountants

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Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor
And the Members of the City Commission
Goodlettsville, Tennessee

Compliance

We have audited City of Goodlettsville, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Goodlettsville, Tennessee's major federal programs for the year ended June 30, 2011. City of Goodlettsville, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Goodlettsville, Tennessee's management. Our responsibility is to express an opinion on City of Goodlettsville, Tennessee's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Goodlettsville, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Goodlettsville, Tennessee's compliance with those requirements.

In our opinion, City of Goodlettsville, Tennessee, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of City of Goodlettsville, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Goodlettsville, Tennessee's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Goodlettsville, Tennessee's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 11-1 to be a material weakness.

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

This report is intended solely for the information and use of management, City Commission, the State of Tennessee, Division of Municipal Audit, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Parker, Parker & Associates

January 5, 2012

Parker, Parker & Associates, PLC

Certified Public Accountants

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CITY OF GOODLETTSVILLE, TENNESSEE Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2011

There were no prior year findings related to the major programs.

Parker, Parker & Associates, PLC

Certified Public Accountants

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City of Goodlettsville, Tennessee Schedule of Findings, Questioned Costs and Responses For the Year Ended June 30, 2011

Summary of Auditors' Results

- The auditors' report expresses an unqualified opinion on the financial statements of the City of Goodlettsville, Tennessee.
- Two material weaknesses were identified during the audit of the financial statements.
- One instance of noncompliance material to the financial statements of the City of Goodlettsville, Tennessee were disclosed during the audit.
- One material weakness was identified during the audit of the major federal award programs.
- The auditors' report on compliance for the major federal award programs for the City of Goodlettsville, Tennessee expresses an unqualified opinion on all major federal programs.
- Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
- The programs tested as major programs included:
 - Environmental Protection Agency – ARRA CFDA 66.458 Capitalization Grants for Clean Water State Revolving Fund - Loan Forgiveness and Non-ARRA CFDA 66.458 Capitalization Grants for Clean Water State Revolving Fund - Loan.
 - Department of Homeland Security – CFDA 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- The threshold for distinguishing Types A and B programs was \$300,000.
- The City of Goodlettsville, Tennessee did not qualify as a low-risk auditee.

Findings- Financial Statements Audit – Internal Control

MATERIAL WEAKNESSES

11-1. BANK RECONCILIATIONS

Criteria: Timely preparation of bank reconciliations is essential to maintaining adequate control over both cash receipts and disbursements. An independent review of completed reconciliations further strengthens the control environment.

Condition: Bank accounts were not timely reconciled during 2011. Reconciliations for the entire fiscal year were not reconciled until June, July, and August of 2011. The City's design of internal control does not require reconciliations to be reviewed by an independent individual after they are completed.

Questioned Costs: None

Context: Identified as part of obtaining an understanding of the City and its environment including internal control and testing identified controls.

Effect: Material Weakness in internal control.

Cause: Deficiency in operation and design of internal controls.

Recommendation: We recommend that all bank accounts be reconciled monthly. The completed reconciliations should be reviewed and approved by someone other than the preparer monthly.

The individual performing the review should sign and date the reconciliation to allow verification of the review. When reviewing the reconciliations, the reviewer should look for the following matters:

- *General Ledger Balance:* The reviewer should ensure that the reconciled balance matches the balance in the general ledger. Any discrepancies in these numbers should be investigated.
- *Transfers:* The reviewer should make sure that all matching interbank transfers have the same date.
- *Reconciling Items:* The reviewer should trace all reconciling items to supporting documents. Special attention should be given to old reconciling items.
- *Paid Items:* The reviewer should examine all checks front and back if possible. Any unusual payees or amounts should be promptly investigated.

Views of Management and Planned Corrective Action: Staff agrees with this finding and is implementing plans to correct. The City went "live" on a new financial management software in the Spring of 2010. The implementation and staff training continued through Fiscal Year 2011. The Finance Director was heavily involved in this project, and some routine duties fell behind. The timely reconciliation of bank statements was one of those responsibilities. While the bank statements were reviewed and proper entries recorded each month, the entire reconciliation process was not completed timely each month.

The Finance staff is incredibly lean, and does not allow for optimal segregation of duties. Management recognizes this is an issue, and is working to address. The City agrees with the recommendation and will reconcile the bank statements each month, and assign a second employee to review and approve the reconciliation each month.

11-2. MATERIAL AUDIT ADJUSTMENTS

Criteria: A good system of internal control is part of generally accepted accounting principles.

Condition: Identification by the auditor of material misstatements in the financial statements for the period under audit that was not initially identified by the entity's internal control is a deficiency in internal control even if management subsequently corrects the misstatements. Thirty-six entries that resulted in a decrease in net income of \$194,925 were proposed during the audit. Included in these entries were the following:

- Eight entries that resulted in a \$1,603 increase in net income were identified and provided by City personnel.
- Seven reclassifying entries that had no effect on net income were proposed.
- Seventeen adjusting entries that resulted in an \$113,483 decrease in net income were proposed.
- Four adjustments that resulted in an \$83,045 decrease in net income were made for audited financial statement reporting purposes.

Questioned Costs: None

Context: Identified as part of our audit fieldwork.

Effect: Material weakness in internal control

Cause: Books were not adjusted during final year-end closing process.

Recommendation: Management should review the adjustments made during the audit to determine which entries should be recorded during the fiscal year prior to beginning the annual audit. The chart of accounts should be reviewed to determine if consolidation of certain accounts could eliminate coding errors.

Views of Management and Planned Corrective Action: Staff agrees with this finding and is implementing plans to correct. Audit adjustments are reviewed each year, and staff makes every attempt to record all entries prior to the audit. Management and Staff are working to streamline and improve efficiencies in the Finance Department which will allow for more thorough review and recordkeeping.

Findings- Financial Statements Audit – Compliance

11-3. BUDGET VIOLATIONS

Criteria: According to Tennessee Code Annotated (TCA) 6-56-203, the City is prohibited from spending money in excess of the budget ordinance within the provisions of the code section.

Condition: Actual expenditures for the year exceed budget appropriations for the various departments of the General Fund and Sanitation Fund as indicated below.

Questioned Costs: See below.

	General Fund			
	Budgeted Amounts			(Negative) Variance with Final
	Original	Final	Actual	
Public Safety:				
Fire	1,303,371	1,314,371	1,338,543	(24,172)
Public Works (also see below)	725,394	732,894	773,845	(40,951)
Street Lights	102,000	102,000	102,419	(419)
Street Paving	213,000	213,000	214,357	(1,357)
Debt Service	474,265	474,265	671,165	(196,900)
	Solid Waste Fund			
Sanitation	732,478	732,478	773,941	(41,463)

Context: Identified as part of our audit process.

Effect: Not in compliance with state law.

Cause: The budget was not amended to absorb budget overages.

Recommendation: We recommend that the City Commission amend the budget ordinance to authorize the expenditures made in excess of the budget appropriation.

Views of Management and Planned Corrective Action: Staff agrees with this finding and will amend the Fiscal Year 2011 Budget. In prior years, the City's Budget Ordinance was passed on a summary level by fund. The State now recommends a specific format for the Budget Ordinance and it is on a department level. While the total General Fund Budgeted Expenditures for Fiscal Year 2011 were not exceeded, the Fire Department, Public Works Department, and Debt Service Expenditures did exceed budget.

Fire-a Firefighter Supplement Grant was received and distributed to the Fire Department that was not budgeted. Repairs to a wrecked fire vehicle were unanticipated and unbudgeted. The Commission was made aware of these extraordinary items when they occurred.

Public Works-Expenditures in the Public Works Department exceeded budget due to unusual and unbudgeted repairs to aging equipment. Staff communicated these repairs to the Board of Commissioners as they occurred. Also, audit adjustments were made to inventory at Public Works which increased supplies and equipment expenditures.

Debt Service-In May of 2011, the City refunded a portion of its debt to take advantage of low interest rates. The transaction required entries to be made to record the proceeds from the refunding, as well as the payoff of the old debt. This resulted in debt service expenditures exceeding budget. The Board of Commissioners approved the debt refunding prior to it occurring.

Sanitation-Expenditures in the Sanitation Department exceeded budgeted expenditures due to numerous unexpected major repairs to an aging fleet of equipment.

An amendment to the Fiscal Year 2011 Budget will be made to correct these items.

Findings and Questioned Costs- Major Federal Award Program Audit – Internal Control for major programs – EPA, Capitalization Grants for Clean Water State Revolving Fund – Loan Forgiveness ARRA CFDA 66.458, EPA, Capitalization Grants for Clean Water State Revolving Fund – Loan Forgiveness Non-ARRA CFDA 66.458, and Department of Homeland Security, Disaster Grants – Public Assistance (Presidentially Declared Disasters) CFDA 97.036.

See Finding 11-1. above

Findings and Questioned Costs- Major Federal Award Program Audit – Compliance and Other Matters for major program - EPA, Capitalization Grants for Clean Water State Revolving Fund – Loan Forgiveness ARRA CFDA 66.458, EPA, Capitalization Grants for Clean Water State Revolving Fund – Loan Forgiveness Non-ARRA CFDA 66.458, and Department of Homeland Security, Disaster Grants – Public Assistance (Presidentially Declared Disasters) CFDA 97.036.

None identified

Parker, Parker & Associates

January 5, 2012



CITY OF GOODLETTSVILLE, TENNESSEE
Corrective Action Plan
For the year ended June 30, 2011

January 5, 2012

Environmental Protection Agency
Department of Homeland Security

The City of Goodlettsville, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2011.

Audit Firm: Parker, Parker & Associates, PLC
1000 Northchase Drive, Suite 260
Goodlettsville, TN 37072

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Findings: Financial Statement Audit – Internal Control

11-1. BANK RECONCILIATIONS

Finding: Bank accounts were not timely reconciled during 2011. Reconciliations for the entire fiscal year were not reconciled until June, July, and August of 2011. The City's design of internal control does not require reconciliations to be reviewed by an independent individual after they are completed.

Corrective Action Plan: The Finance staff is incredibly lean, and does not allow for optimal segregation of duties. Management recognizes this is an issue, and is working to address. The City agrees with the recommendation and will reconcile the bank statements each month, and assign a second employee to review and approve the reconciliation each month.

Target Date of Completion: January 31, 2012

11-2. MATERIAL AUDIT ADJUSTMENTS

Finding: Identification by the auditor of material misstatements in the financial statements for the period under audit that was not initially identified by the entity's internal control is a deficiency in internal control even if management subsequently corrects the misstatements. Thirty-six entries that resulted in a decrease in net income of \$194,925 were proposed during the audit. Included in these entries were the following:

- Eight entries that resulted in a \$1,603 increase in net income were identified and provided by City personnel.
- Seven reclassifying entries that had no effect on net income were proposed.
- Seventeen adjusting entries that resulted in an \$113,483 decrease in net income were proposed.
- Four adjustments that resulted in an \$83,045 decrease in net income were made for audited financial statement reporting purposes.

*A government committed to operating with efficiency and integrity in all we do
as we strive to enhance the quality of life for the community we serve.*

Corrective Action Plan: Staff agrees with this finding and is implementing plans to correct. Audit adjustments are reviewed each year, and staff makes every attempt to record all entries prior to the audit. Management and Staff are working to streamline and improve efficiencies in the Finance Department which will allow for more thorough review and recordkeeping.

Target Date of Completion: January 31, 2012

Findings: Financial Statement Audit – Compliance

11-3. BUDGET VIOLATIONS

Finding: Actual expenditures for the year exceed budget appropriations for the various departments of the General Fund and Sanitation Fund.

Corrective Action Plan: An amendment to the Fiscal Year 2011 Budget will be made to correct these items.

Target Date of Completion: January 31, 2012

Findings and Questioned Costs- Major Federal Award Program Audit – Internal Control for major program – EPA ARRA CFDA 66.458 and EPA Non-ARRA CFDA 66.458

See Finding 11-1 above.

Findings and Questioned Costs- Major Federal Award Program Audit – Compliance and Other Matters for major program - EPA ARRA CFDA 66.458 and EPA Non-ARRA CFDA 66.458

None identified.

If the Environmental Protection Agency and Department of Homeland Security have questions regarding this plan, please contact Julie High at 615-851-2200.

Sincerely Yours,



Julie High
Director of Finance and Administration