

TOWN OF EASTVIEW, TENNESSEE

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2011

TOWN OF EASTVIEW, TENNESSEE
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TOWN OF EASTVIEW, TENNESSEE
ROSTER OF PUBLICLY ELECTED OFFICIALS
AND MANAGEMENT OFFICIALS
JUNE 30, 2011

PUBLICLY ELECTED OFFICIALS

JESSIE ROBBINS	MAYOR
BURL SUTTON	ALDERMAN
ELVIS BUTLER	ALDERMAN
JEFF COLN	ALDERMAN
JIM HUMPHREY	ALDERMAN
LUCY MARTIN	ALDERMAN

MANAGEMENT OFFICIALS

EMODENE H. SMITH	CITY RECORDER
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TOWN OF EASTVIEW, TENNESSEE

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CERTIFIED PUBLIC ACCOUNTANTS
LOCATIONS IN CORINTH, MS & BOONEVILLE, MS

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INDEPENDENT AUDITORS' REPORT

Mayor and Board of Aldermen
Town of Eastview, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining other governmental fund of the Town of Eastview, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Eastview'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 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 remaining governmental fund of the Town of Eastview, Tennessee, as of June 30, 2011, and the respective changes in financial position and, cash flows, where applicable, thereof, and the respective budgetary comparison schedules for the General Fund and the Industrial Park Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2011, on our consideration of the Town of Eastview's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the

methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The Roster of Publicly Elected Officials and Management Officials and the other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Roster of Publicly Elected Officials and Management Officials and the schedule of unaccounted for water have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Brewer, Vanstoy & Co., P.A.

Corinth, Mississippi
December 27, 2011

TOWN OF EASTVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

The discussion and analysis of Town of Eastview, Tennessee's, financial performance provides an overall narrative review of the Town's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the Town's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the Town's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in the Town's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the Town's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$51,433, which represents a 2.05% increase from fiscal year 2010.
- General revenues account for \$145,840 in revenue, or 35.04% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$270,417 or 64.96% of total revenues.
- The Town had \$364,824 in expenses; only \$270,417 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$145,840 were adequate to provide for these programs.
- Among major funds, the General Fund had \$143,438 in revenues and \$76,772 in expenditures. The General Fund's fund balance increased \$66,666 from the prior year.
- Capital assets, net of accumulated depreciation, increased by \$8,438. This was a result of new equipment purchased and scheduled depreciation.
- Long-term debt decreased by \$11,024 due to scheduled debt repayments.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) budgetary comparison schedules, and (4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the Town that are principally supported by sales taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, public safety, and highways and streets.

The government-wide financial statements can be found on pages 11 - 12 of this report.

TOWN OF EASTVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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 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 the Town's current financing requirements. Governmental funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The governmental funds statements provide a detailed short-term view of the Town's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 14 and 16, respectively.

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 all major funds. All other non-major funds are combined and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 13 and 15 of this report.

Proprietary Funds. Proprietary funds are used to account for the same functions reported as business-type activities in the government-wide financial statements. The proprietary fund financial statements include the only proprietary fund of the Town, the Eastview Water System Enterprise Fund.

The basic proprietary fund financial statements can be found on pages 17 – 19 of this report.

Under Tennessee state statutes the Budgetary Comparison Schedules are required to be included in the basic financial statements and can be found on pages 20 – 21.

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 beginning on page 22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the Town, assets exceeded liabilities by \$2,558,325 as of June 30, 2011.

The largest portion of the Town's net assets \$1,052,007 is its investment in capital assets, net of related debt. This represents 41.12% of total net assets. Unrestricted and undesignated net assets amounted to \$562,349, while \$383,150 is restricted for various purposes. The remaining amount, \$560,819, is designated for use in the Eastview Water System for any purpose.

The Town's financial position is a product of several financial transactions including the net result of activities, the payment of debt, the acquisition of capital assets, and the depreciation of capital assets.

The following table presents a summary of the Town's net assets for the fiscal year ended June 30, 2011 and 2010.

TOWN OF EASTVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Governmental Activites</u>		<u>Business-Type Activites</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 933,276	\$ 852,079	\$ 651,687	\$ 703,990
Capital Assets, Net of Accumulated Depreciation	<u>361,541</u>	<u>384,115</u>	<u>1,038,921</u>	<u>1,007,909</u>
Total Assets	<u>1,294,817</u>	<u>1,236,194</u>	<u>1,690,608</u>	<u>1,711,899</u>
Other Liabilities	3,857	4,705	74,788	77,017
Long-Term Liabilities	-	-	348,455	359,479
Total Liabilities	<u>3,857</u>	<u>4,705</u>	<u>423,243</u>	<u>436,496</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	361,541	384,115	690,466	648,430
Restricted	367,070	42,831	16,080	16,080
Unrestricted	<u>562,349</u>	<u>804,543</u>	<u>560,819</u>	<u>610,893</u>
Total Net Assets	<u>\$ 1,290,960</u>	<u>\$ 1,231,489</u>	<u>\$ 1,267,365</u>	<u>\$ 1,275,403</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

The principal retirement of \$11,024 of long-term debt.

Depreciation recorded for the current year in the amount of \$76,614.

The addition of \$85,052 in capital assets.

Changes in net assets. The Town's total revenues for the fiscal year ended June 30, 2011, were \$416,257. The total cost of all programs and services was \$364,824. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2011 and 2010.

	<u>Governmental Activites</u>		<u>Business-Type Activites</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues				
Program Revenues	\$ 29,651	\$ 26,440	\$ 240,766	\$ 232,567
General Revenues	<u>141,168</u>	<u>152,980</u>	<u>4,672</u>	<u>7,991</u>
Total Revenues	<u>170,819</u>	<u>179,420</u>	<u>245,438</u>	<u>240,558</u>
Expenses				
General Government	64,260	83,462	-	-
Public Safety	34,150	26,524	-	-
Highways and Streets	12,938	29,402	-	-
Water	-	-	235,832	238,295
Interest on Long-Term Liabilities	-	-	<u>17,644</u>	<u>17,622</u>
Total Expenses	<u>111,348</u>	<u>139,388</u>	<u>253,476</u>	<u>255,917</u>
Increase (Decrease) in Net Assets	<u>\$ 59,471</u>	<u>\$ 40,032</u>	<u>\$ (8,038)</u>	<u>\$ (15,359)</u>

TOWN OF EASTVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Governmental activities. The following table presents the cost of three major Town functional activities: general government, public safety, and highways and streets. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and Town's taxpayers by each of these functions.

	2011		2010	
	Expenses	Net (Expense) Revenue	Expenses	Net (Expense) Revenue
General Government	\$ 64,260	\$ (58,595)	83,462	(77,605)
Public Safety	34,150	(31,095)	26,524	(23,686)
Highways and Streets	12,938	7,993	29,402	(11,657)
Total Expenses	\$ 111,348	\$ (81,697)	\$ 139,388	\$ (112,948)

The net cost of governmental activities, \$81,697, was financed by general revenue, which is made up of primarily sales taxes and state revenue, in the amount of \$141,168.

Investment earnings accounted for \$9,571 of funding in the governmental activities.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The financial performance of the Town's governmental activities as a whole is reflected in its governmental funds. As the Town completed the year, its governmental funds reported a combined fund balance of \$929,419, an increase of \$82,045. \$562,349 or 60.51% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the Town's discretion. The remaining fund balance of \$367,070 or 39.49% is restricted to indicate that it is not available for spending because it has been committed for specific programs.

Proprietary Fund. The focus of the Town's proprietary fund is the same as is provided in the government-wide financial statements, only in more detail. Unrestricted net assets of the Eastview Water System Enterprise Fund at year end amounted to \$560,819. The decrease in net assets amounted to \$8,038.

The General Fund is the principal operating fund of the Town. The increase in fund balance in the General Fund for the fiscal year was \$66,666, as a result of reduced expenditures and increased revenues from state sales taxes.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Town reviewed the annual operating budget for each fund, and made revisions as were necessary.

A schedule showing the original and final budget amounts compared to the Town's actual financial activity for the General Fund and other major special revenue fund is provided in this report as part of the basic financial statements as required by Tennessee Statute.

TOWN OF EASTVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the Town's total capital assets were \$2,865,274, including land, buildings, improvements other than buildings, and equipment. This amount represents an increase of \$85,052 from the previous year, due to the net effect of new equipment purchased. Total accumulated depreciation as of June 30, 2011, was \$1,477,662, and total depreciation expense for the year was \$76,614 resulting in total net assets of \$1,400,462.

Additional information of the Town's capital assets can be found in the Notes 1 and 5 of this report.

Debt Administration. At June 30, 2011, the Town had \$348,455 in long-term debt outstanding, of which \$12,029 is due within one year. This represents a decrease of \$11,024 as a result of scheduled repayments.

Additional information of the Town's long-term debt can be found in the Notes 1 and 6 of this report.

CURRENT ISSUES

The Town of Eastview, Tennessee, is financially stable.

The Town has committed itself to financial excellence for many years. In addition, the Town's system of financial planning, budgeting and internal financial controls are well regarded. The Town plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Mayor's Office of the Town of Eastview, Tennessee, 199 Hwy 57 West, Ramer, TN 38367.

TOWN OF EASTVIEW, TENNESSEE

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TOWN OF EASTVIEW, TENNESSEE
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash	\$ 496,016	\$ 307,856	\$ 803,872
Investments	418,392	206,135	624,527
Accounts Receivable, Net	-	50,961	50,961
Interest Receivable	5,938	3,458	9,396
Due from Other Governments	12,930	-	12,930
Restricted Assets:			
Cash	-	23,707	23,707
Investments	-	59,570	59,570
Nondepreciable Capital Assets	12,850	-	12,850
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>348,691</u>	<u>1,038,921</u>	<u>1,387,612</u>
Total Assets	<u>1,294,817</u>	<u>1,690,608</u>	<u>2,985,425</u>
Liabilities			
Accounts Payable and Accrued Liabilities	3,857	14,881	18,738
Interest Payable on Long-Term Debt	-	337	337
Customer Deposits	-	59,570	59,570
Long-Term Liabilities			
Due within One Year	-	12,029	12,029
Due in More than One Year	<u>-</u>	<u>336,426</u>	<u>336,426</u>
Total Liabilities	<u>3,857</u>	<u>423,243</u>	<u>427,100</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	361,541	690,466	1,052,007
Restricted For:			
State Street Aid Fund	51,811	-	51,811
Industrial Park Fund	315,259	-	315,259
Bond Requirement Reserve	-	16,080	16,080
Unrestricted	<u>562,349</u>	<u>560,819</u>	<u>1,123,168</u>
Total Net Assets	<u>\$ 1,290,960</u>	<u>\$ 1,267,365</u>	<u>\$ 2,558,325</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF EASTVIEW, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$ 64,260	\$ 5,665	\$ -	\$ (58,595)	\$ -	\$ (58,595)
Public Safety	34,150	-	3,055	(31,095)	-	(31,095)
Highways and Streets	12,938	-	20,931	7,993	-	7,993
Total Governmental Activities	<u>111,348</u>	<u>5,665</u>	<u>23,986</u>	<u>(81,697)</u>	<u>-</u>	<u>(81,697)</u>
Business-Type Activities						
Water	253,476	240,766	-	-	(12,710)	(12,710)
Total Primary Government	<u>\$ 364,824</u>	<u>\$ 246,431</u>	<u>\$ 23,986</u>	<u>(81,697)</u>	<u>(12,710)</u>	<u>(94,407)</u>
General Revenues						
Taxes						
Wholesale - Beer				37,137	-	37,137
Sales				43,894	-	43,894
State Shared Taxes						
State Sales Tax				41,291	-	41,291
State Income Tax				143	-	143
TVA Replacement Tax				6,955	-	6,955
Investment Earnings				9,571	4,672	14,243
Other				2,177	-	2,177
Total General Revenues				<u>141,168</u>	<u>4,672</u>	<u>145,840</u>
Change in Net Assets				59,471	(8,038)	51,433
Net Assets - Beginning				<u>1,231,489</u>	<u>1,275,403</u>	<u>2,506,892</u>
Net Assets - Ending				<u>\$ 1,290,960</u>	<u>\$ 1,267,365</u>	<u>\$ 2,558,325</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF EASTVIEW, TENNESSEE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	Major Funds		Other Governmental- Street Fund	Total Governmental Funds
	General	Industrial Park		
Assets				
Cash in Bank	\$ 425,386	\$ 19,844	\$ 50,786	\$ 496,016
Investments	127,111	291,281	-	418,392
Interest Receivable	1,804	4,134	-	5,938
Due from Other Governments	11,297	-	1,633	12,930
Total Assets	\$ 565,598	\$ 315,259	\$ 52,419	\$ 933,276
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 991	\$ -	\$ 608	\$ 1,599
Accrued Liabilities	2,258	-	-	2,258
Total Liabilities	3,249	-	608	3,857
Fund Balances				
Restricted				
State Street Aid	-	-	51,811	51,811
Industrial Park	-	315,259	-	315,259
Unassigned				
General Fund	562,349	-	-	562,349
Total Fund Balances	562,349	315,259	51,811	929,419
Total Liabilities and Fund Balances	\$ 565,598	\$ 315,259	\$ 52,419	\$ 933,276

The notes to the financial statements are an integral part of this statement.

TOWN OF EASTVIEW, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Amount</u>
Total Fund Balances - Governmental Funds	\$ 929,419
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$713,475. (Note 5)	<u>361,541</u>
Total Net Assets - Governmental Activities	<u><u>\$ 1,290,960</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF EASTVIEW, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Major Funds</u>		<u>Other Governmental- Street Fund</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Industrial Park Fund</u>		
Revenues				
Taxes				
Wholesale - Beer Tax	\$ 37,137	\$ -	\$ -	\$ 37,137
County Sales Tax	43,894	-	-	43,894
Intergovernmental Revenue:				
State Sales Tax	41,148	-	-	41,148
State Income Tax	143	-	-	143
TVA Replacement Tax	6,955	-	-	6,955
Telecommunication Tax	50	-	-	50
State Gas and Motor Fuel Tax	-	-	17,024	17,024
City Street and Transportation System Revenue	-	-	1,327	1,327
FEMA	-	-	2,580	2,580
Miscellaneous	14,111	6,398	52	20,561
Total Revenues	<u>143,438</u>	<u>6,398</u>	<u>20,983</u>	<u>170,819</u>
Expenditures				
Current				
General Government	63,027	-	-	63,027
Public Safety	7,548	-	-	7,548
Highways and Streets	-	-	12,002	12,002
Capital Outlay	6,197	-	-	6,197
Total Expenditures	<u>76,772</u>	<u>-</u>	<u>12,002</u>	<u>88,774</u>
Net Change in Fund Balances	66,666	6,398	8,981	82,045
Fund Balances - Beginning	<u>495,683</u>	<u>308,861</u>	<u>42,830</u>	<u>847,374</u>
Fund Balances - Ending	<u>\$ 562,349</u>	<u>\$ 315,259</u>	<u>\$ 51,811</u>	<u>\$ 929,419</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF EASTVIEW, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 82,045
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$6,197 and the depreciation expense amounted to \$28,771. (Note 5)	(22,574)
Change in Net Assets	\$ 59,471

The notes to the financial statements are an integral part of this statement.

TOWN OF EASTVIEW, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	<u>Business-Type Activities Enterprise Fund Eastview Water System</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 307,856
Investments	206,135
Accounts Receivable, Net	28,188
Unbilled Revenue	22,773
Interest Receivable	3,458
Total Current Assets	<u>568,410</u>
Restricted Assets	
Cash and Cash Equivalents	23,707
Investments	59,570
Total Restricted Assets	<u>83,277</u>
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	1,038,921
Total Noncurrent Assets	<u>1,038,921</u>
Total Assets	<u>1,690,608</u>
Liabilities	
Current Liabilities	
Accounts Payable	12,431
Accrued Expenses	2,450
Accrued Interest	337
Customer Deposits	59,570
Current Maturities of Long-Term Debt	12,029
Total Current Liabilities	<u>86,817</u>
Long-Term Debt, Net of Current Maturities	<u>336,426</u>
Total Liabilities	<u>423,243</u>
Net Assets	
Invested in Assets, Net of Related Debt	690,466
Restricted for	
Bond Requirement Reserve	16,080
Unrestricted	560,819
Total Net Assets	<u>\$ 1,267,365</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF EASTVIEW, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Business - Type</u> <u>Activities</u> <u>Enterprise Fund</u> Eastview Water System <hr/>
Cash Flows from Operating Activities	
Cash Received from Customers and Users	\$ 241,455
Cash Paid to Suppliers	(155,719)
Cash Paid for Employees	(35,543)
	<hr/>
Net Cash Provided by Operating Activities	50,193
	<hr/>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(78,855)
Customer Meter Deposits	1,056
Principal Payments on Long-Term Debt	(11,024)
Interest Paid	(17,656)
	<hr/>
Net Cash Used by Capital and Related Financing Activities	(106,479)
	<hr/>
Cash Flows from Investing Activities	
Investments	(7,081)
Interest Revenue Received	7,792
	<hr/>
Net Cash Provided by Investing Activities	711
	<hr/>
Net Decrease in Cash	(55,575)
Cash and Cash Equivalents at Beginning of Year	387,138
	<hr/>
Cash and Cash Equivalents at End of Year	\$ 331,563
	<hr/> <hr/>
Reconciliation of Operating Income(Loss) to Cash Provided by Operating Activities:	
Operating Income(Loss)	\$ 4,934
Adjustments to Reconcile Operating Income(Loss) to Net Cash Provided by Operating Activities:	
Depreciation Expense	47,843
Decrease in Accounts Receivable	829
Increase in Unbilled	(140)
Decrease in Accounts Payable	(3,273)
	<hr/>
Net Cash Provided by Operating Activities	\$ 50,193
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

TOWN OF EASTVIEW, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Taxes					
Wholesale - Beer Tax	\$ 35,000	\$ 35,000	\$ 37,137	\$ -	\$ 2,137
County Sales Tax	35,000	35,000	43,894	-	8,894
Intergovernmental Revenue					
State Sales, Income, and Telecommunication Taxes	35,050	35,050	41,341	-	6,291
TVA Replacement Tax	5,000	5,000	6,955	-	1,955
Miscellaneous	8,200	8,200	14,111	-	5,911
Total Revenues	<u>118,250</u>	<u>118,250</u>	<u>143,438</u>	<u>-</u>	<u>25,188</u>
Expenditures					
Current					
General Government	99,750	102,620	63,027	2,870	39,593
Public Safety	3,500	6,000	7,548	2,500	(1,548)
Highways and Streets	15,000	15,000	-	-	15,000
Capital Outlay	-	6,496	6,197	6,496	299
Total Expenditures	<u>118,250</u>	<u>130,116</u>	<u>76,772</u>	<u>11,866</u>	<u>53,344</u>
Net Change in Fund Balance	-	(11,866)	66,666	(11,866)	78,532
Fund Balance - Beginning	<u>495,683</u>	<u>495,683</u>	<u>495,683</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 495,683</u>	<u>\$ 483,817</u>	<u>\$ 562,349</u>	<u>\$ (11,866)</u>	<u>\$ 78,532</u>

The notes to the financial statements are an integral part of this statement

TOWN OF EASTVIEW, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE FOR THE INDUSTRIAL PARK FUND
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Miscellaneous	\$ -	\$ -	\$ 6,398	\$ -	\$ 6,398
Total Revenues	-	-	6,398	-	6,398
Fund Balance - Beginning	-	-	308,861	-	308,861
Fund Balance - Ending	\$ -	\$ -	\$ 315,259	\$ -	\$ 315,259

The notes to the financial statements are an integral part of this statement

TOWN OF EASTVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Eastview conform to accounting principles generally accepted in the United States of America applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting on financial reporting principles. The following is a summary of the more significant policies.

A. Financial Reporting Entity

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the Town of Eastview's elected officials.

In evaluating how to define the Town of Eastview, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based on these criteria, there are no component units to be included in the reporting entity.

B. Financial Reporting

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

TOWN OF EASTVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1. Summary of Significant Accounting Policies (continued)

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Sales and beer taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current period.

The Town reports the following major governmental funds:

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

The Industrial Park Fund is a special revenue fund that accounts for the resources accumulated and payments made for administering loans made to industries.

The Town reports the following major proprietary fund:

The Town of Eastview Water System Enterprise Fund accounts for the provision of water services to residents of the Town. Activities of the fund include administration, operations and maintenance of the water system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water debt.

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

TOWN OF EASTVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are reported as nonoperating.

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

D. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the governmental-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$500 or more and an estimated useful life greater than one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Property Class</u>	<u>Years</u>
Buildings	20
Water and sewer system	40
Improvements other than buildings	15
Machinery and equipment	10
Infrastructure	40

TOWN OF EASTVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1. Summary of Significant Accounting Policies (continued)

E. Long-Term Debt

In 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.

F. Cash and Investments

The Town deposits excess funds in local financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC).

Cash consists of amounts on deposit with financial institutions in noninterest-bearing demand accounts, interest-bearing demand accounts, savings accounts and certificates of deposit. Cash and other deposits are valued at cost. As of June 30, 2011, the carrying amount of the Town's deposits including certificates of deposit was \$1,511,676 and the bank balance was \$1,515,001. Of these deposits, \$1,153,494 was covered by federal deposit insurance and the balance was fully insured by the pledging banks' participation in the Tennessee Bank Collateral Pool.

For purposes of the Statement of Cash Flows, the Town considers the following to be cash equivalents if they have a maturity of three months or less when acquired: all highly liquid investments and certificates of deposit.

G. Property Taxes

The Town of Eastview does not assess or collect real or personal property tax.

H. Capitalized Interest

The Town capitalizes net interest costs and interest earned as part of the cost of constructing various construction projects when material.

I. Compensated Absences

The Town has no written policy pertaining to compensated absences.

J. Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from these estimates.

TOWN OF EASTVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1. Summary of Significant Accounting Policies (continued)

K. Budgeting

The Budgetary Comparison Schedules present the originally legally adopted budget, the final legally adopted budget, the actual data in conformity with accounting principles generally accepted in the United State of America, variances between the original budget and the final budget, and variances between the final budget and actual data. The budget is adopted by the mayor and board of aldermen. Amendments are made during the year on the approval of the mayor and board of aldermen.

L. Fund Balances

Effective July 1, 2010, the Town adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying governmental fund type definitions.

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

1. *Nonspendable* fund balance is associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).
2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by formal action (ordinance) of the Board of Aldermen (the Town's highest level of decision-making authority).
4. *Assigned* fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned amounts are determined by the Board of Aldermen.
5. *Unassigned* fund balance is the residual classification for the government's general fund includes all spendable amounts not contained in the other classifications.

The Town has not yet adopted an order of fund balance spending policy. It considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

2. Sinking Fund Requirements

In accordance with the terms of the bond, the Town is obligated to charge and collect water rates sufficient to provide funds (1) to pay the cost of operation and maintenance of the water system, (2) to pay the monthly installments of the 5.255% Waterworks Revenue Bond, (3) to establish and maintain an \$8,040 reserve account, and (4) to establish and maintain \$8,040 repair and extension account. Specifically, item (2) above requires monthly cash transfers of \$670 from the operating account to the debt service account; (3) and (4) above are fully funded.

TOWN OF EASTVIEW, TENNESSEE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011

3. Salaries and Surety Bonds for Principal Officials

	Salary Per Month	Surety Bond
City Recorder	\$ 350	\$ 33,000
Mayor	\$ 250	\$ -
Aldermen -		
Attending Meetings	\$ 100	\$ -
Not Attending Meetings	\$ -	\$ -

4. Miscellaneous Income

Miscellaneous Income for the General Fund is summarized as follows:

Interest Income	\$ 3,121
Fire Department	3,055
Rent Income	5,665
Other	2,270
Total	\$ 14,111

TOWN OF EASTVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year:

	Balance 7/1/2010	Additions	Deletions	Balance 6/30/2011
<u>Governmental Activities</u>				
<u>Nondepreciable Capital Assets</u>				
Land	\$ 12,850	\$ -	\$ -	\$ 12,850
Total Nondepreciable Capital Assets	12,850	-	-	12,850
<u>Depreciable Capital Assets</u>				
Buildings	387,702	-	-	387,702
Improvements other than Buildings	164,515	-	-	164,515
Equipment	466,306	6,197	-	472,503
Streets	37,446	-	-	37,446
Total Depreciable Capital Assets	1,055,969	6,197	-	1,062,166
<u>Less Accumulated Depreciation</u>				
Buildings	127,758	9,692	-	137,450
Improvements other than Buildings	134,312	2,994	-	137,306
Equipment	421,669	15,149	-	436,818
Streets	965	936	-	1,901
Total Accumulated Depreciation	684,704	28,771	-	713,475
Depreciable Capital Assets, Net	371,265	(22,574)	-	348,691
Governmental Activities Capital Assets, Net	\$ 384,115	\$ (22,574)	\$ -	\$ 361,541
<u>Business-Type Activities</u>				
<u>Depreciable Capital Assets</u>				
Utility Plant in Service	\$ 1,687,421	\$ 855	\$ -	\$ 1,688,276
Other Capital Assets	36,832	78,000	-	114,832
Total Depreciable Capital Assets	1,724,253	78,855	-	1,803,108
<u>Less Accumulated Depreciation</u>				
Utility Plant in Service	688,779	42,146	-	730,925
Other Capital Assets	27,565	5,697	-	33,262
Total Accumulated Depreciation	716,344	47,843	-	764,187
Business-Type Activities Capital Assets, Net	\$ 1,007,909	\$ 31,012	\$ -	\$ 1,038,921

Depreciation expense was charged to the general government (\$1,233) public safety (\$26,602) and public works (\$936) functions in the governmental activities and water function (\$47,843) in the business-type activities.

TOWN OF EASTVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

6. Long-Term Debt

Fund to Retire Debt – Proprietary Fund

Debt currently outstanding in the proprietary fund is as follows:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Waterworks Revenue Bond, Series 1993	5.255%	12/7/1994	1/13/2032	\$ 400,000	\$ 306,827
Tennessee State Revolving Loan	2.02%	2/19/2002	2/19/2022	<u>71,408</u>	<u>41,628</u>
				<u>\$ 471,408</u>	<u>\$ 348,455</u>

The following is a summary of changes in long-term debt for the proprietary fund:

	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2011</u>	<u>Amounts Due Within One Year</u>
Waterworks Revenue Bond, Series 1993	\$ 314,383	\$ -	\$ 7,556	\$ 306,827	\$ 8,493
Tennessee State Revolving Loan	<u>45,096</u>	<u>-</u>	<u>3,468</u>	<u>41,628</u>	<u>3,536</u>
	<u>\$ 359,479</u>	<u>\$ -</u>	<u>\$ 11,024</u>	<u>\$ 348,455</u>	<u>\$ 12,029</u>

The following is a schedule by years of the total payments due.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 12,029	\$ 16,651	\$ 28,680
2013	12,536	16,144	28,680
2014	13,090	15,590	28,680
2015	13,652	15,028	28,680
2016	14,301	14,379	28,680
2017 - 2021	81,683	61,717	143,400
2022 - 2026	82,537	42,009	124,546
2027 - 2031	103,579	18,101	121,680
2032	<u>15,048</u>	<u>246</u>	<u>15,294</u>
	<u>\$ 348,455</u>	<u>\$ 199,865</u>	<u>\$ 548,320</u>

TOWN OF EASTVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

7. Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents

For cash equivalents, the carrying amount is a reasonable estimate of fair value.

Receivables and Payables

Since receivables are recorded at realizable value and trade payables are due in the near term, book values of these receivables and payables approximate fair values.

8. Risk Management

The Town of Eastview, Tennessee, is exposed to various risks of losses related to torts, theft of, damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, auto liability, errors and omissions and auto physical damage coverage. The Town joined the Tennessee Municipal League Risk Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The Town pays annual premiums to the Pool for its general liability, auto liability, real and personal property damage, workman's compensation and errors and omissions policies. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The Town's premiums are calculated based on its prior claims history.

It is the policy of the Town to purchase commercial insurance for the risks of employee dishonesty and excess liability. Settled claims have not exceeded this commercial coverage or the coverage provided by the Pool in any of the past three years.

9. Subsequent Events

Events that occur after the statement of net assets date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management has evaluated the activity of the city through December 27, 2011, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

TOWN OF EASTVIEW, TENNESSEE
SCHEDULE OF GENERAL FUND - GENERAL GOVERNMENT EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011

Personal Services	\$ 28,969
Legal and Audit	4,485
Insurance	9,368
Repair and Maintenance	4,731
Utilities	8,114
Payroll Taxes	2,502
Other	<u>4,858</u>
Total	<u><u>\$ 63,027</u></u>

See Independent Auditor's Report.

TOWN OF EASTVIEW, TENNESSEE
EASTVIEW WATER SYSTEM PROPRIETARY FUND
SCHEDULE OF WATER CUSTOMERS
FOR THE YEAR ENDED JUNE 30, 2011

TYPE		
Residential & Commercial		785
Churches		<u>7</u>
Total		<u><u>792</u></u>

TOWN OF EASTVIEW, TENNESSEE
EASTVIEW WATER SYSTEM PROPRIETARY FUND
SCHEDULE OF WATER RATES
FOR THE YEAR ENDED JUNE 30, 2011

First 2,000 Gallons	\$12.00 Minimum
All Over 2,000 Gallons	\$4.14 Per Thousand

TOWN OF EASTVIEW, TENNESSEE
EASTVIEW WATER SYSTEM PROPRIETARY FUND
SCHEDULE OF UNACCOUNTED FOR WATER (GALLONS)
FOR THE YEAR ENDED JUNE 30, 2011

A Water Treated and Purchased:	
B Water Pumped (potable)	-
C Water Purchased	<u>57,372,000</u>
D Total Water Treated and Purchased (Sum Lines B & C)	<u><u>57,372,000</u></u>
E Accounted for Water:	
F Water Sold	44,209,200
G Metered for Consumption (in house usage)	-
H Fire Department(s) Usage	-
I Flushing	-
J Tank Cleaning/Filling	-
K Street Cleaning	-
L Bulk Sales	-
M Water Bill Adjustments/plus or (minus)	-
N Total Accounted for Water (Sum Lines F through M)	<u><u>44,209,200</u></u>
O Unaccounted for Water (Line D minus Line N)	<u><u>13,162,800</u></u>
P Percent Unaccounted for Water (Line O divided by Line D times 100)	22.94%
Q Other (explain)	-

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

TOWN OF EASTVIEW, TENNESSEE
 SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS OF LONG-TERM DEBT
 FOR THE YEAR ENDED JUNE 30, 2011

<u>Year Ending June 30,</u>	Waterworks Revenue Bond Series 1993, 5.255%	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 8,494	\$ 15,842
2013	8,928	15,408
2014	9,409	14,927
2015	9,896	14,440
2016	10,468	13,868
2017-2021	61,313	60,367
2022-2026	79,692	41,988
2027-2031	103,579	18,101
2032	15,048	246
	<u>\$ 306,827</u>	<u>\$ 195,187</u>

	Tennessee State Revolving Loan 2.02%	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 3,535	\$ 809
2013	3,608	736
2014	3,681	663
2015	3,756	588
2016	3,833	511
2017 - 2021	20,370	1,350
2022	2,845	21
	<u>\$ 41,628</u>	<u>\$ 4,678</u>

See Independent Auditor's Report.

TOWN OF EASTVIEW, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE FOR THE STREET FUND
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
State Gas and Motor Fuel Tax	\$ 17,000	\$ 17,000	\$ 17,024	\$ -	\$ 24
City Street and Transportation Tax	-	-	1,327	-	1,327
FEMA	-	-	2,580	-	2,580
Miscellaneous	50	50	52	-	2
Total Revenues	<u>17,050</u>	<u>17,050</u>	<u>20,983</u>	<u>-</u>	<u>3,933</u>
Expenditures					
Highways and Streets	<u>17,050</u>	<u>17,950</u>	<u>12,002</u>	<u>900</u>	<u>5,948</u>
Total Expenditures	<u>17,050</u>	<u>17,950</u>	<u>12,002</u>	<u>900</u>	<u>5,948</u>
Net Change in Fund Balances	-	(900)	8,981	(900)	9,881
Fund Balance - Beginning	<u>42,830</u>	<u>42,830</u>	<u>42,830</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 42,830</u>	<u>\$ 41,930</u>	<u>\$ 51,811</u>	<u>\$ (900)</u>	<u>\$ 9,881</u>

The notes to the financial statements are an integral part of this statement.



CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and Board of Aldermen
Town of Eastview, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Eastview, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise the Town of Eastview, Tennessee's, basic financial statements and have issued our report thereon dated December 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2011-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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

Mayor and Board of Aldermen
Town of Eastview, Tennessee
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objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of the mayor, board of aldermen, management and the Comptroller of the Treasury, State of Tennessee, and specified legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Brauner, Vanstoy & Co., P.A.

Corinth, Mississippi
December 27, 2011

TOWN OF EASTVIEW
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011

The following matter involving the internal control structure and its operations and noncompliance with state laws comprise our findings and recommendations and the auditee's responses to the recommendations.

2011-1 Finding

As reported in prior years, a lack segregation of duties exists in the area of cash receipts and disbursements and general accounting functions because of the limited number of employees.

Recommendation

Because of staffing and economic consideration it is not feasible for the Town to overcome this problem, therefore we make no recommendations.

Response

We concur.