

CITY OF ERIN, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2011

CITY OF ERIN, TENNESSEE

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CITY OF ERIN, TENNESSEE

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INTRODUCTORY SECTION

CITY OF ERIN, TENNESSEE
Officials of the City of Erin, Tennessee
June 30, 2011

<u>Name</u>	<u>Title</u>
Elected Officials:	
Tommy Parchman	Mayor
Paul Gooden	Vice Mayor
Walter Dunn	Alderman
Paula Bailey	Alderman
Malinda Campbell	Alderman
Nethla Shires	Alderman
Betsy Ligon	Alderman
Nina Finley	Alderman
Phillip Gary Taylor	Alderman
Management:	
Lori Pendergrass	City Recorder

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

Independent Auditor's Report

Mayor and Board of Aldermen of the
City of Erin, Tennessee
Erin, Tennessee

I have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the City of Erin, 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 the City of Erin's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial reporting as contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business - type activities, and each major fund of the City of Erin, Tennessee as of June 30, 2011, and the respective changes in financial position and the cash flows where applicable, thereof and the respective budgetary comparison for the General Fund and Drug 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*, I have also issued my report dated September 30, 2011 on the consideration of the City of Erin's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 the audit.

Management's Discussion and Analysis and the Required Supplementary Information are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and do not express an opinion on it.

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Erin's basic financial statements. The Financial Schedules and the Introductory Section, as listed in the table of contents, are not a required part of the basic financial statements. The accompanying schedule of Federal and State Financial Assistance is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The Schedule of Unaccounted for Water is presented by management as required by the State of Tennessee Comptroller of the Treasury's office. This information has not been audited and I express no opinion on this schedule. The Financial Schedules, except for the Schedule of Unaccounted for Water, and the Introductory Section have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

John R Poole, CPA

September 30, 2011

CITY OF ERIN, TENNESSEE

Management's Discussion and Analysis

As management of the City of Erin, Tennessee (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the City of Erin exceeded its liabilities at the close of the most recent fiscal year by \$6,927,629. Of this amount, \$796,074 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets decreased by \$70,402, as a result of lower revenues of \$164,375 as compared to the prior year. The decrease in revenues was the result of a slowing local and statewide economy and the result of the Utility funds recurring deficits. Expenses were \$227,436 lower due to lower grant activity and as the City reduced spending levels due to the slowing economy. Total debt decreased by \$102,476 as the City is able to finance its current expenditures. During the year the City made capital expenditures of \$22,599. A further analysis of revenues and expenses for the City are included in this Management's Discussion and Analysis.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$272,474 an increase of \$116,617 in comparison to the prior year. The increase resulted from lower spending levels. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$198,794 or 17% of the total general fund expenditures. The City's business-like activities total net assets decreased by \$185,094 due to high operating costs.

Overview of the Financial Statements:

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

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 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 government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Erin include general government, personnel, finance, parks, planning, police, fire, disposal service, streets and public works. The government-wide financial statements can be found on pages 11-12 of this report. A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The City of Erin, 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 are governmental funds.

Governmental Funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of 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 impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the funds all of which are considered to be major funds.

The City of Erin adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic financial statements can be found on pages 14-24 of this report. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-35 of this report.

Financial Analysis of the Financial Statements--Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Erin, assets exceeded liabilities by \$6,927,629 at the close of the most recent fiscal year. By far the largest portion of the City's assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt use to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Financial Analysis of the Financial Statements -- City of Erin's Net Assets -2011

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 644,825	822,782
Capital assets	<u>990,218</u>	<u>6,937,073</u>
Total assets	1,635,043	7,759,855
Long-term liabilities outstanding	115,435	1,807,981
Other liabilities	<u>372,351</u>	<u>171,502</u>
Total liabilities	487,786	1,979,483
Net assets:		
Invested in capital assets, net of related debt	874,783	5,132,206
Restricted	16,187	108,379
Unrestricted	<u>256,287</u>	<u>539,787</u>
Total net assets	\$ 1,147,257	5,780,372

Financial Analysis of the Financial Statements -- City of Erin's Net Assets -2010

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 524,088	738,829
Capital assets	<u>1,046,493</u>	<u>7,219,276</u>
Total assets	1,570,581	7,958,105
Long-term liabilities outstanding	169,785	1,857,379
Other liabilities	<u>368,231</u>	<u>135,260</u>
Total liabilities	538,016	1,992,639
Net assets:		
Invested in capital assets, net of related debt	876,708	5,365,790
Restricted	4,882	107,171
Unrestricted	<u>150,975</u>	<u>492,505</u>
Total net assets	\$ 1,032,565	5,965,466

At the end to the current fiscal year, the City is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Financial Analysis of the Financial Statements

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

Governmental Funds

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

The general fund is the chief operating fund of the City's. At the end of the current fiscal year, unassigned fund balance of the general fund was \$198,794. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 17% of total general fund expenditures.

Business- Type Activities

The City's business-like activities total net assets decreased by \$185,094 due to high operating costs .

Comparison between revenues and expenses between years.

	<u>2011</u>	<u>2010</u>	Change Between <u>Years</u>
Revenues:			
Charges for services	1,384,395	1,415,956	(31,561)
Operating grants and contributions	378,503	551,682	(173,179)
Capital grants and contributions	0	0	0
Property taxes	301,478	337,725	(36,247)
Sales taxes	412,460	405,602	6,858
Beer taxes	109,055	85,664	23,391
Business taxes	39,402	36,803	2,599
Other state shared revenues	6,405	7,711	(1,306)
Other revenues	62,594	17,524	45,070
Total Revenues	<u><u>\$2,694,292</u></u>	<u><u>\$2,858,667</u></u>	<u><u>(\$164,375)</u></u>
Expenditures:			
Current:			
General government	341,063	317,513	23,550
Police department	341,227	382,777	(41,550)
Fire department	28,972	29,717	(745)
Planning and zoning	31,641	26,787	4,854
Parks and recreation	257,521	582,264	(324,743)
Street department	174,671	125,245	49,426
Sewer fund	318,607	293,654	24,953
Water fund	1,270,992	1,234,173	36,819
Total Expenditures	<u><u>\$2,764,694</u></u>	<u><u>\$2,992,130</u></u>	<u><u>(\$227,436)</u></u>
 Excess (deficiency) of revenues over expenditures	 <u><u>(70,402)</u></u>	 <u><u>(133,463)</u></u>	 <u><u>63,061</u></u>

The assets of the City of Erin exceeded its liabilities at the close of the most recent fiscal year by \$6,927,629. Of this amount, \$796,074 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net assets decreased by \$70,402, as a result of lower revenues of \$164,375 as compared to the prior year. The decrease in revenues was the result of a slowing local and statewide economy and the result of the Utility funds recurring deficits. Expenses were \$227,436 lower due to lower grant activity and as the City reduced spending levels due to the slowing economy. Total debt decreased by \$102,476 as the City is able to finance its current expenditures. During the year the City made capital expenditures of \$22,599.

Governmental Budgetary Highlights

The City amended its budgets during the year to provide for higher than expected expenditures. The City exceeded one of its department budgets during the year. For a further analysis see pages 21-24.

Capital Asset and Debt Administration

Capital Assets

The City of Erin's investment in capital assets from its governmental activities at June 30, 2011, amounts to \$990,218 (net or accumulated depreciation) and its business-type activities amounts to \$6,937,073. This investment in capital assets is in land, buildings, improvements, machinery and equipment.

City of Erin's Capital Assets - 2011

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land and buildings	\$1,302,218	12,752,981
Equipment	<u>306,033</u>	<u>230,078</u>
Less accumulated depreciation	(618,033)	(6,045,986)
Net Capital Assets	\$ <u>990,218</u>	<u>\$6,937,073</u>

City of Erin's Capital Assets - 2010

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land and buildings	\$1,302,218	12,752,981
Equipment	<u>361,080</u>	<u>230,078</u>
Less accumulated depreciation	(616,805)	(5,763,783)
Net Capital Assets	<u>\$1,046,493</u>	<u>\$7,219,276</u>

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

Debt

The City's total debt as of June 30, 2011 is \$1,923,416. All debts are being paid as scheduled.

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

Economic Factors and Next Year's Budget and Rates

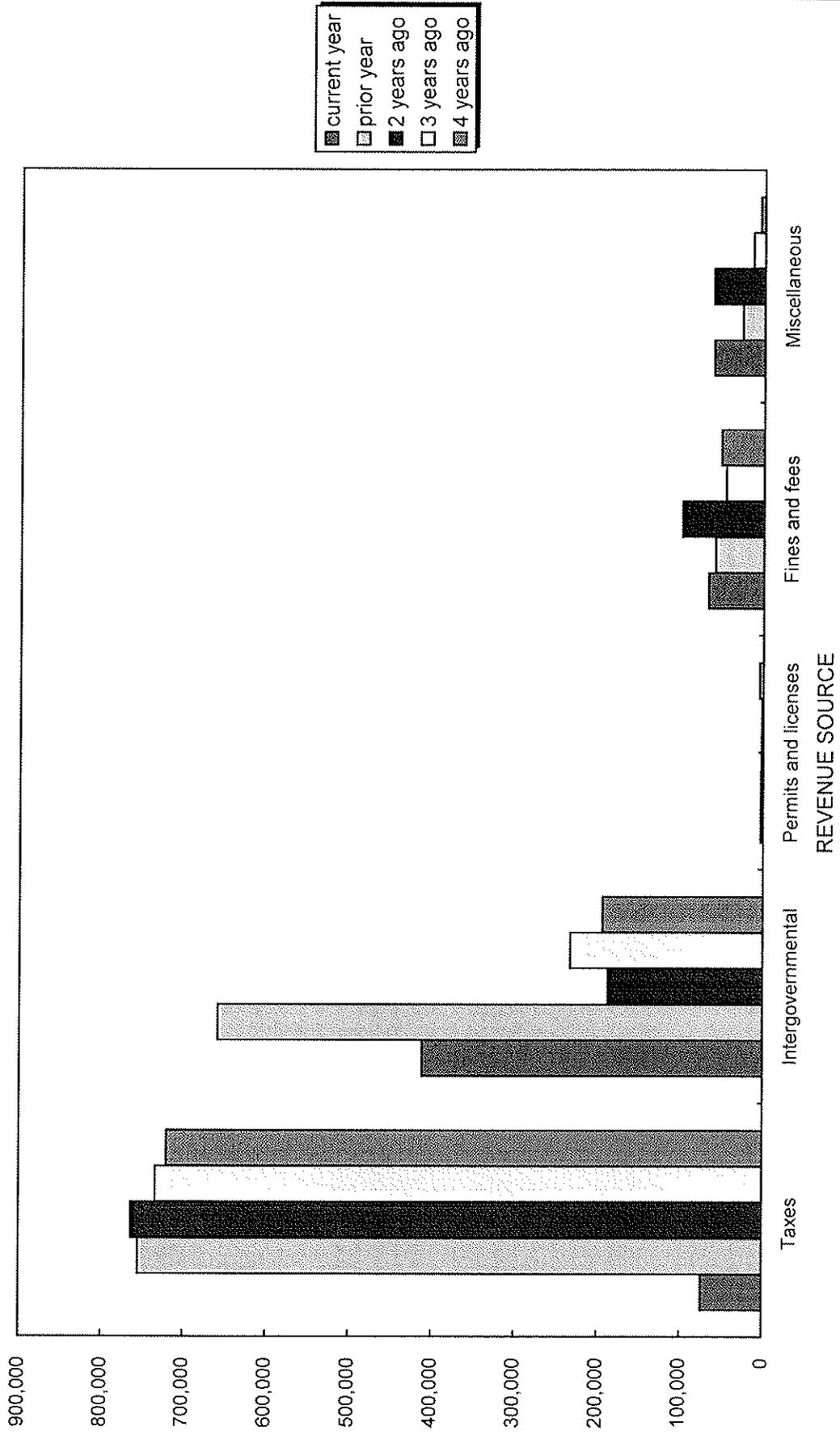
In the 2011-2012 budget, revenues are budgeted to increase from the 2010-2011 budget year primarily due to increases in user charges and property taxes. The City's budget has slowed by a reduced commercial and retail base producing lower property tax receipts and, a sluggish State economy resulted in the State of Tennessee reducing the amount of taxes shared with municipalities for this next fiscal year. All of these factors were considered in preparing the City's budget for the 2011-2012 fiscal year.

Requests for Information

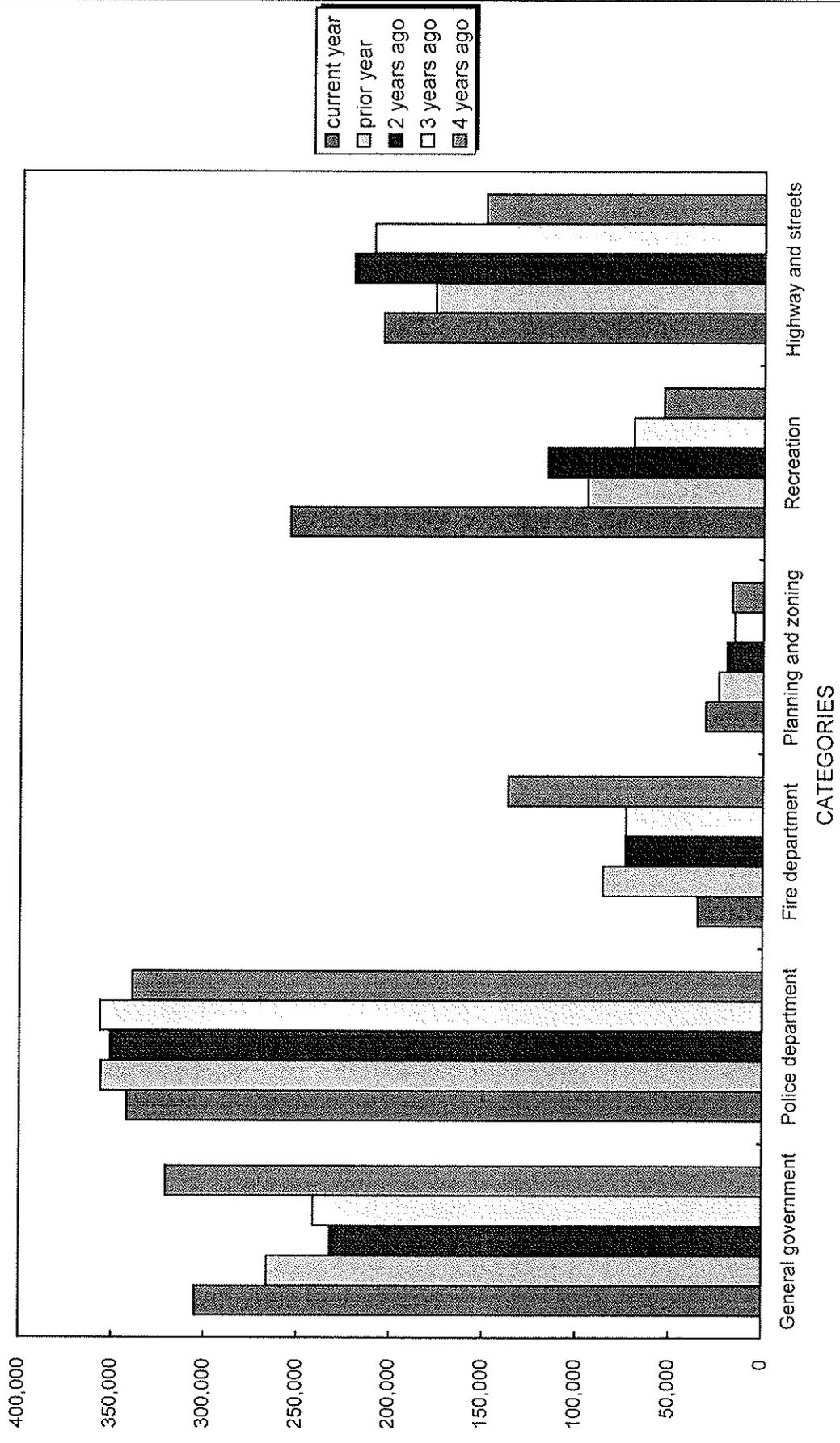
This financial report is designed to provide a general overview of the City of Erin, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed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

Lori Pendergrass
City of Erin

**CITY OF ERIN
GOVERNMENTAL FUND REVENUES**



**CITY OF ERIN
GOVERNMENTAL FUND EXPENDITURES**



BASIC FINANCIAL STATEMENTS

CITY OF ERIN, TENNESSEE

Statement of Net Assets

June 30, 2011

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	442,332	253,231	695,563
Certificate of deposit	170,743	0	170,743
Receivables	386,435	129,371	515,806
Prepaid assets	32,152	44,816	76,968
Inventory	0	5,413	5,413
Internal balances	(386,837)	386,837	0
Other assets	0	3,114	3,114
Capital assets not being depreciated	118,128	0	118,128
Capital assets, net of accumulated depreciation	<u>872,090</u>	<u>6,937,073</u>	<u>7,809,163</u>
Total Assets	<u>1,635,043</u>	<u>7,759,855</u>	<u>9,394,898</u>
Liabilities			
Accounts payable	43,405	50,820	94,225
Accrued expenses	0	14,407	14,407
Deferred revenue	328,946	0	328,946
Customer deposits	0	106,275	106,275
Long-term liabilities:			
Due within one year	57,877	49,882	107,759
Due in more than one year	57,558	1,758,099	1,815,657
Total Liabilities	<u>487,786</u>	<u>1,979,483</u>	<u>2,467,269</u>
Net assets:			
Investments in capital assets, net of related debt	874,783	5,132,206	6,006,989
Restricted - Drug fund	16,187	0	16,187
Restricted	0	108,379	108,379
Unrestricted	256,287	539,787	796,074
Total Net Assets	<u>1,147,257</u>	<u>5,780,372</u>	<u>6,927,629</u>

See accompanying notes to financial statements.

CITY OF ERIN, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2011

Function/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Government Activities:							
General government	341,063	0	243,266	0	(97,797)	0	(97,797)
Police	341,227	67,341	2,681	0	(271,205)	0	(271,205)
Fire	28,972	0	0	0	(28,972)	0	(28,972)
Planning and zoning	31,641	2,244	0	0	(29,397)	0	(29,397)
Parks and recreations	257,521	0	0	0	(257,521)	0	(257,521)
Street department	174,671	0	43,928	0	(130,743)	0	(130,743)
Total Governmental Activities	1,175,095	69,585	289,875	0	(815,635)	0	(815,635)
Business - type Activities:							
Sewer Fund	318,607	245,851	17,025	0	0	(55,731)	(55,731)
Water Fund	1,270,992	1,068,959	71,603	0	0	(130,430)	(130,430)
Total Business Type Activities	1,589,599	1,314,810	88,628	0	0	(186,161)	(186,161)
Total	2,764,694	1,384,395	378,503	0	(815,635)	(186,161)	(1,001,796)
General Revenues:							
Property taxes					248,435	0	248,435
Public utility tax					53,043	0	53,043
Sales taxes					412,460	0	412,460
Beer taxes					109,055	0	109,055
Business taxes					39,402	0	39,402
State income and excise tax					6,405	0	6,405
Interest income					3,328	1,067	4,395
Other					58,199	0	58,199
Total general revenues					930,327	1,067	931,394
Changes in net assets					114,692	(185,094)	(70,402)
Net assets - beginning of year					1,032,565	5,965,466	6,998,031
Net assets - ending of year					1,147,257	5,780,372	6,927,629

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF ERIN, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2011

	General Fund	Drug Fund	Total
<u>Assets</u>			
Cash and cash equivalents	\$427,359	\$14,973	\$442,332
Certificates of deposit	170,743	0	170,743
Accounts receivable:			
Taxes receivable	316,133	0	316,133
Other governments	70,302	0	70,302
	386,435	0	386,435
Prepaid assets	32,152	0	32,152
Due from other funds	29,969	1,214	31,183
Total Assets	\$1,046,658	\$16,187	\$1,062,845
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	\$43,405	\$0	\$43,405
Due to other funds	418,020	0	418,020
Deferred revenues	328,946	0	328,946
	790,371	0	790,371
Fund Balance:			
Assigned - Tourism	43,312	0	43,312
Assigned - Maple street bridge	14,181	0	14,181
Non-spendable	29,969	0	29,969
Unassigned	168,825	0	168,825
Reserved	0	16,187	16,187
Total Fund Balance	256,287	16,187	272,474
Total Liabilities and Fund Equity	\$1,046,658	\$16,187	\$1,062,845

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

CITY OF ERIN, TENNESSEE

Reconciliation of the Balance Sheet to the Statement of Net Assets
of Governmental Activities

June 30, 2011

Amounts reported for fund balance - total governmental funds	\$ <u>272,474</u>
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Long-term debt	(115,435)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	<u>990,218</u>
Net assets of governmental activities	\$ <u><u>1,147,257</u></u>

CITY OF ERIN, TENNESSEE

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

For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	745,310	0	745,310
Intergovernmental	412,565	0	412,565
Permits and licenses	3,044	0	3,044
Fines and fees	56,036	11,305	67,341
Miscellaneous	61,527	0	61,527
Total revenues	<u>\$1,278,482</u>	<u>\$11,305</u>	<u>\$1,289,787</u>
Expenses:			
Current:			
General government	295,926	0	295,926
Police department	323,915	0	323,915
Fire department	24,807	0	24,807
Parks and recreations	255,032	0	255,032
Street department	156,534	0	156,534
Planning and zoniung	31,641	0	31,641
Capital outlay			
Police department	18,200	0	18,200
Street department	4,399	0	4,399
Debt Service:			
Principal	54,440	0	54,440
Interest	8,276	0	8,276
Total expenses	<u>\$1,173,170</u>	<u>\$0</u>	<u>\$1,173,170</u>
 Change in net assets	 <u>105,312</u>	 <u>11,305</u>	 <u>116,617</u>
 Fund balance, beginning of year	 <u>150,975</u>	 <u>4,882</u>	 <u>155,857</u>
Fund balance, end of year	<u>\$256,287</u>	<u>\$16,187</u>	<u>\$272,474</u>

See accompanying notes to financial statements.

CITY OF ERIN, TENNESSEE

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

For the Year Ended June 30, 2011

Net change in fund balances - total governmental funds:	\$	116,617
Amounts reported for governmental activities in the statement of net assets are different because:		
Principal portions of the long-term debt payments are recorded as debt service expenses in the fund financial statements, in the government-wide financial statements these amounts reduce long-term liabilities		54,440
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Acquisition of capital assets		22,599
Loss on disposition of capital assets		(90)
Depreciation expense		<u>(78,874)</u>
Change in net assets of governmental activities	\$	<u>114,692</u>

CITY OF ERIN, TENNESSEE

Statement of Net Assets

Proprietary Funds

June 30, 2011

<u>Assets</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Current Assets:			
Cash and cash equivalents	\$77,154	67,698	144,852
Customer accounts receivable, net of allowance	107,142	22,229	129,371
Prepaid assets	38,330	6,486	44,816
Inventory	5,413	0	5,413
Due from other funds	412,346	124,471	536,817
Total Current Assets	<u>640,385</u>	<u>220,884</u>	<u>861,269</u>
Restricted Assets:			
Cash and cash equivalents	108,379	0	108,379
Total Restricted Assets	<u>108,379</u>	<u>0</u>	<u>108,379</u>
Property, Plant and Equipment:			
Utility plant in service	9,653,732	3,329,327	12,983,059
Less accumulated depreciation	(4,099,046)	(1,946,940)	(6,045,986)
Total Property, Plant and Equipment, Net	<u>5,554,686</u>	<u>1,382,387</u>	<u>6,937,073</u>
Other assets	3,114	0	3,114
 Total Assets	 <u>\$6,306,564</u>	 <u>\$1,603,271</u>	 <u>\$7,909,835</u>
 <u>Liabilities</u>			
Accounts payable	\$41,331	9,489	50,820
Accrued expenses	10,306	4,101	14,407
Customer deposits	106,275	0	106,275
Due to other funds	113,521	36,459	149,980
Long-term debt due within one year	39,490	10,392	49,882
Long-term debt due in more than one year	1,625,501	132,598	1,758,099
Total Liabilities	<u>1,936,424</u>	<u>193,039</u>	<u>2,129,463</u>
 Net Assets:			
Invested in capital assets, net of related debt	3,892,809	1,239,397	5,132,206
Restricted	108,379	0	108,379
Unrestricted	368,952	170,835	539,787
 Total Net Assets	 <u>4,370,140</u>	 <u>1,410,232</u>	 <u>5,780,372</u>

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

CITY OF ERIN, TENNESSEE

Statement of Revenues, Expenses
and Changes in Net Assets

Enterprise Funds

For the Year Ended June 30, 2011

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Metered sales	\$1,043,104	\$245,851	1,288,955
Tap and installation fees	25,855	0	25,855
Total Operating Revenues	1,068,959	245,851	1,314,810
Operating Expenses:			
Salaries	328,313	57,442	385,755
Payroll taxes	23,761	4,840	28,601
Employee benefits	127,003	14,530	141,533
Fees	7,489	4,955	12,444
Utilities	151,453	73,951	225,404
Rent	0	7,500	7,500
Professional services	21,676	32,008	53,684
Insurance	36,219	8,959	45,178
Repair and maintenance	99,137	17,265	116,402
Supplies	169,111	14,974	184,085
Office expense	2,374	0	2,374
Vehicle expenses	5,833	5,238	11,071
Miscellaneous	8,598	577	9,175
Amortization	779	0	779
Depreciation	211,383	70,821	282,204
Total Operating Expenses	1,193,129	313,060	1,506,189
Operating income (loss)	(124,170)	(67,209)	(191,379)
Nonoperating Revenues (Expenses):			
Interest expense	(77,863)	(5,547)	(83,410)
FEMA recovery	71,603	17,025	88,628
Interest income	1,067	0	1,067
Total Nonoperating Revenues (Expenses)	(5,193)	11,478	6,285
Net change in net assets	(129,363)	(55,731)	(185,094)
Net Assets, July 1, 2010	4,499,503	1,465,963	5,965,466
Net Assets, June 30, 2011	\$4,370,140	\$1,410,232	\$5,780,372

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

CITY OF ERIN, TENNESSEE

Statement of Cash Flows

Proprietary Fund Type

Water and Sewer Funds

For the Year Ended June 30, 2011

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from customers	1,052,266	246,945	1,299,211
Cash paid to suppliers	(440,559)	(146,070)	(586,629)
Cash paid to employees	(479,077)	(76,812)	(555,889)
Net Cash Provided by Operating Activities	<u><u>132,630</u></u>	<u><u>24,063</u></u>	<u><u>156,693</u></u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of plant and equipment	0	0	0
Interest paid	(77,863)	(5,547)	(83,410)
Repayment of debt	(37,407)	(10,629)	(48,036)
Net Cash Used by Capital and Related Financing Activities	<u><u>(115,270)</u></u>	<u><u>(16,176)</u></u>	<u><u>(131,446)</u></u>
Cash Flows from Investing Activities:			
Interest received	1,067	0	1,067
	<u>1,067</u>	<u>0</u>	<u>1,067</u>
 Net Increase in Cash	 <u><u>18,427</u></u>	 <u><u>7,887</u></u>	 <u><u>26,314</u></u>
Cash and Cash Equivalents, July 1, 2010	167,106	59,811	226,917
Cash and Cash Equivalents, June 30, 2011	<u><u>185,533</u></u>	<u><u>67,698</u></u>	<u><u>253,231</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income (loss)	(124,170)	(67,209)	(191,379)
Adjustments to reconcile operating income to net cash provided by operating activities:			
FEMA recovery	71,603	17,025	88,628
Depreciation and amortization	212,162	70,821	282,983
Change in assets (increase) decrease:			
Receivables	(16,693)	1,094	(15,599)
Prepaid	0	(775)	(775)
Inventory	97	0	97
Due from other funds	0	15,440	15,440
Change in liabilities increase (decrease):			
Accounts payable	27,396	6,679	34,075
Customer deposits	803	0	803
Due to other funds	(38,568)	(19,012)	(57,580)
 Net Cash Provided by Operating Activities	 <u><u>132,630</u></u>	 <u><u>24,063</u></u>	 <u><u>156,693</u></u>

See accompanying notes to the financial statements.

CITY OF ERIN, TENNESSEE

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

General Fund

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Taxes:				
Property taxes	\$276,000	\$276,000	\$248,435	(27,565)
Public utility tax	42,100	42,100	36,275	(5,825)
Local sales tax	300,600	300,600	313,720	13,120
Local beer tax	71,000	71,000	107,478	36,478
Hotel taxes	0	0	5,849	5,849
Cable franchise	0	0	8,459	8,459
Business taxes	10,000	10,000	25,094	15,094
Total Taxes	<u>699,700</u>	<u>699,700</u>	<u>745,310</u>	<u>45,610</u>
Intergovernmental:				
TVA in lieu	12,000	12,000	16,768	4,768
State sales tax	87,000	87,000	98,740	11,740
State income tax	8,700	8,700	2,688	(6,012)
State supplement	3,000	3,000	2,400	(600)
Grant contribution	363,711	363,711	243,547	(120,164)
State beer tax	700	700	777	77
State city streets and transportation	800	800	823	23
State street aid fuel and gasoline tax	38,000	38,000	43,105	5,105
Corporate excise tax	4,300	4,300	3,717	(583)
Total Intergovernmental Revenue	<u>518,211</u>	<u>518,211</u>	<u>412,565</u>	<u>(105,646)</u>
Permits and licenses:				
Beer license	800	800	800	0
Building permits	1,800	1,800	2,244	444
Total Permits and licenses	<u>2,600</u>	<u>2,600</u>	<u>3,044</u>	<u>444</u>
Fines and fees:				
City court	46,200	46,200	56,036	9,836
Total Fines and Fees	<u>46,200</u>	<u>46,200</u>	<u>56,036</u>	<u>9,836</u>
Miscellaneous:				
Miscellaneous	13,300	13,300	9,736	(3,564)
Insurance recoveries	5,000	5,000	48,463	43,463
Interest income	5,700	5,700	3,328	(2,372)
Total Miscellaneous Revenue	<u>24,000</u>	<u>24,000</u>	<u>61,527</u>	<u>37,527</u>
Total Revenues	<u>1,290,711</u>	<u>1,290,711</u>	<u>1,278,482</u>	<u>(12,229)</u>

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

CITY OF ERIN, TENNESSEE
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued
General Fund
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Expenditures:				
General Government:				
Current:				
Salaries	98,980	102,208	104,672	2,464
Payroll taxes	6,250	10,655	10,655	0
Employee benefits	26,970	26,970	29,174	2,204
Board and committee members	20,000	16,275	17,350	1,075
Professional services	18,540	16,215	9,865	(6,350)
Office supplies	7,700	7,700	8,380	680
Repair and maintenance	11,200	12,038	9,203	(2,835)
Utility	42,000	42,000	40,078	(1,922)
Insurance	7,000	5,704	1,007	(4,697)
Supplies	5,250	5,250	4,169	(1,081)
Donations	4,000	4,000	4,000	0
Tourism/Celebrations	5,000	5,087	5,087	0
Home grant	0	45,114	45,114	0
Election	5,000	3,040	3,036	(4)
Training and travel	2,700	2,700	863	(1,837)
Miscellaneous	1,750	2,498	3,273	775
	<u>262,340</u>	<u>307,454</u>	<u>295,926</u>	<u>(11,528)</u>
Debt service	9,150	9,150	8,550	(600)
Capital outlay	0	0	0	0
Total General Government	<u>271,490</u>	<u>316,604</u>	<u>304,476</u>	<u>(12,128)</u>
Police Department:				
Current:				
Salaries	202,200	202,200	176,685	(25,515)
Payroll taxes	13,850	13,919	13,919	0
Employee benefits	89,825	85,315	71,844	(13,471)
Training	4,000	4,000	3,551	(449)
Professional services	3,500	3,500	2,204	(1,296)
Repair and maintenance	4,000	4,000	6,498	2,498
Supplies	3,000	3,000	5,026	2,026
Utility	3,200	3,200	2,696	(504)
Uniforms	4,000	4,000	2,988	(1,012)
Vehicle expenses	15,000	18,633	17,817	(816)
Insurance	18,000	18,000	17,639	(361)
Miscellaneous	3,300	4,108	3,048	(1,060)
	<u>363,875</u>	<u>363,875</u>	<u>323,915</u>	<u>(39,960)</u>
Capital outlay	7,000	7,000	18,200	11,200
Total Police Department	<u>370,875</u>	<u>370,875</u>	<u>342,115</u>	<u>(28,760)</u>
Fire Department:				
Current:				
Salaries	5,100	5,100	3,648	(1,452)
Contract services	10,000	10,000	10,000	0
Supplies	5,000	5,000	4,539	(461)
Repair and maintenance	5,000	5,000	262	(4,738)
Insurance	7,000	7,000	6,015	(985)
Miscellaneous	1,300	1,300	343	(957)
	<u>33,400</u>	<u>33,400</u>	<u>24,807</u>	<u>(8,593)</u>
Debt service	13,335	13,335	9,905	(3,430)
Capital outlay	0	0	0	0
Total Fire Department	<u>46,735</u>	<u>46,735</u>	<u>34,712</u>	<u>(12,023)</u>

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

CITY OF ERIN, TENNESSEE

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

General Fund

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Expenditures, Continued:				
Streets:				
Current:				
Salaries	29,700	29,110	28,410	(700)
Payroll taxes	2,250	2,098	2,098	0
Employee benefits	12,622	12,001	12,701	700
Street lighting	30,000	30,044	30,044	0
Professional services	3,000	510	510	0
Repair and maintenance	22,300	58,702	65,962	7,260
Gas and oil	10,000	10,978	10,978	0
Insurance	5,000	5,066	5,066	0
Miscellaneous	1,075	765	765	0
	<u>115,947</u>	<u>149,274</u>	<u>156,534</u>	<u>7,260</u>
Debt service	48,000	44,261	44,261	0
Capital outlay	31,000	5,000	4,399	(601)
Total Streets Department	<u>194,947</u>	<u>198,535</u>	<u>205,194</u>	<u>6,659</u>
Parks and Recreation:				
Current:				
Salaries	41,950	41,950	39,163	(2,787)
Payroll taxes	3,500	3,500	2,904	(596)
Employee benefits	15,850	15,850	16,615	765
Repair and maintenance	5,000	5,000	4,067	(933)
Utilities	5,000	6,035	6,035	0
Insurance	2,000	2,000	1,709	(291)
Downtown improvement grant	290,311	289,276	183,936	(105,340)
Miscellaneous	2,000	2,000	603	(1,397)
	<u>365,611</u>	<u>365,611</u>	<u>255,032</u>	<u>(110,579)</u>
Capital outlay	0	0	0	0
Total Parks and Recreation	<u>365,611</u>	<u>365,611</u>	<u>255,032</u>	<u>(110,579)</u>
Planning and Zoning:				
Current:				
Personnel costs	24,930	24,930	24,234	(696)
Professional services	8,000	8,000	6,750	(1,250)
Miscellaneous	1,700	1,700	657	(1,043)
	<u>34,630</u>	<u>34,630</u>	<u>31,641</u>	<u>(2,989)</u>
Capital outlay	0	0	0	0
Total Planning and Zoning	<u>34,630</u>	<u>34,630</u>	<u>31,641</u>	<u>(2,989)</u>
Total Expenditures	<u>1,284,288</u>	<u>1,332,990</u>	<u>1,173,170</u>	<u>(159,820)</u>
Excess (deficiency) of Revenues over Expenditures	6,423	(42,279)	105,312	147,591
Fund Balance, July 1, 2010	<u>150,975</u>	<u>150,975</u>	<u>150,975</u>	<u>0</u>
Fund Balance, June 30, 2011	<u>\$157,398</u>	<u>\$108,696</u>	<u>\$256,287</u>	<u>\$147,591</u>

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

CITY OF ERIN, TENNESSEE

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

Drug Fund

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Fines	30,000	30,000	11,305	(18,695)
Total Revenues	<u>30,000</u>	<u>30,000</u>	<u>11,305</u>	<u>(18,695)</u>
Expenditures:				
Current:				
Supplies	30,000	30,000	0	(30,000)
Capital outlay	30,000	30,000	0	(30,000)
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>30,000</u>	<u>30,000</u>	<u>0</u>	<u>(30,000)</u>
Excess (deficiency) of revenues over expenditures	0	0	11,305	11,305
Fund Balance, July 1, 2010	<u>4,882</u>	<u>4,882</u>	<u>4,882</u>	<u>0</u>
Fund Balance, June 30, 2011	<u><u>\$4,882</u></u>	<u><u>\$4,882</u></u>	<u><u>16,187</u></u>	<u><u>11,305</u></u>

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

CITY OF ERIN, TENNESSEE

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

The City of Erin, Tennessee, (the City) provides the following services, as authorized by its charter and duly passed ordinances: public safety (Police and Fire), water and sewer services, streets, recreations, public improvements, planning and zoning, and general administrative services. The accounting policies of the City of Erin, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity:

Governmental Accounting Standards Board (GASB) Statement Number 14, "The Financial Reporting Entity" requires that financial statements present the reporting entity which consists of the primary government and any "Component Unit" organizations for which the primary government is financially accountable and any other "Component Unit" organizations for which the nature and significance of their relationship with the primary government are such that exclusion, could cause the City's general purpose financial statements to be misleading. There were no component units requiring blended or discrete presentation under the requirements of GASB Statement Number 14.

Accounting Pronouncements:

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

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

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

CITY OF ERIN, TENNESSEE

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes and most governmental revenues as available if received within 60 days of years end. Expenditures are recorded generally when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

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

The government reports the following major funds:

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

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

The government reports the following major proprietary funds:

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

The City has adopted GASB Statement No.20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting. The City applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions; issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB Statements and interpretations issued after November 30, 1989.

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

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

CITY OF ERIN, TENNESSEE

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies, Continued

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. The principal operating revenues of the various utility funds are charges to customers for sales and services. The Utility Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

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

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of savings accounts, certificates of deposit with original maturities three months or less.

Receivables and Payables

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

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

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

Property Tax

The City's property tax is levied each October 1 on the assessed value listed as of the prior February 28 for all real and personal property located in the City's legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

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

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

Taxes were levied at a rate of \$1.10 per \$100 of assessed valuation for the fiscal year ended June 30, 2011. Current tax collections of \$260,054 for the fiscal year ended June 30, 2011 were approximately 91 percent of the tax levy.

Delinquent taxes are turned over to the Clerk and Master for collection as required by the City's Municipal Code.

CITY OF ERIN, TENNESSEE

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies, Continued

Capital Assets

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

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

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

The estimated useful lives are as follows:

Infrastructure	30-50 years
Buildings	10-50 years
Utility Plant in Service	10-33 years
Furniture and Equipment	5-12 years

Inventory

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

Restricted Assets

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

Compensated Absences

The City has accrued a liability for unused sick and vacation pay which is earned but not taken by City employees.

Bond Issue Costs- Other Assets

Bond Issue Costs are amortized over the period of the related bond issue and presented as other assets in the accompanying financial statements.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

CITY OF ERIN, TENNESSEE

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Estimates

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

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

Budgets and Budgetary Accounting

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

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

During the year the City exceeded the following departmental expense budget:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Streets	\$198,535	205,194	6,659

Fund Balance

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

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

Only by Board approval can fund balance amounts be classified as committed or assigned.

CITY OF ERIN, TENNESSEE

Notes to Financial Statements, Continued

(2) Cash and Cash Equivalents

The City is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts and certificates of deposit. During the year, the City invested funds that were not immediately needed in certificates of deposits, savings accounts. The City has deposit policies to minimize custodial credit risks. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions.

The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the City and must total a minimum 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The City's deposits with financial institutions are fully insured or collateralized by securities held in the government's name.

(3) Accounts Receivable

Accounts receivable at June 30, 2011, consist of the following:

<u>Fund</u>	<u>Other Government</u>	<u>Property Taxes</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	\$ 70,302	316,133	-	386,435
Enterprise Fund	-	-	227,262	227,262
Less allowance for doubtful accounts	-	-	(97,891)	(97,891)
Total	<u>\$ 70,302</u>	<u>316,133</u>	<u>129,371</u>	<u>515,806</u>

(4) Capital Assets

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

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Assets not being depreciated				
Land	118,128	-	-	118,128
Assets being depreciated				
Building	887,665	-	-	887,665
Infrastructure	327,746	-	-	327,746
Equipment and vehicles	329,759	22,599	77,646	274,712
Total	<u>\$ 1,663,298</u>	<u>22,599</u>	<u>77,646</u>	<u>1,608,251</u>
Less Accumulated depreciation	(616,805)			(618,033)
Net capital assets in service	<u>\$ 1,046,493</u>			<u>990,218</u>

All assets except land valued at \$118,128 are being depreciated.

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

General Fund:	
General government administration	\$ 42,497
Police department	17,312
Fire truck	2,700
Highways and Streets	13,876
Parks department	2,489
Total	<u>78,874</u>

CITY OF ERIN, TENNESSEE

Notes to Financial Statements, Continued

(4) Capital Assets, Continued

A summary of changes in Enterprise (Water) Fund property, plant and equipment and related accumulated depreciation follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Office equipment	\$ 20,456	-	-	20,456
Utility plant	9,445,910	-	-	9,445,910
Equipment	140,002	-	-	140,002
Vehicles	47,364	-	-	47,364
	<u>9,653,732</u>	<u>-</u>	<u>-</u>	<u>9,653,732</u>
Less accumulated depreciation	<u>(3,887,663)</u>			<u>(4,099,046)</u>
Net plant in service	<u>\$ 5,766,069</u>			<u>5,554,686</u>

Depreciation expense was \$211,383 for the year ending June 30, 2011.

A summary of changes in Enterprise (Sewer) Fund property, plant and equipment and related accumulated depreciation follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Office equipment	\$ 4,709	-	-	4,709
Utility plant	3,281,906	-	-	3,281,906
Equipment	15,920	-	-	15,920
Vehicles	26,792	-	-	26,792
	<u>3,329,327</u>	<u>-</u>	<u>-</u>	<u>3,329,327</u>
Less accumulated depreciation	<u>(1,876,120)</u>			<u>(1,946,940)</u>
Net plant in service	<u>\$ 1,453,207</u>			<u>1,382,387</u>

All assets are being depreciated. Depreciation expense was \$70,821 for the year.

(5) Long-Term Debt and Other Obligations Payable

The following schedule reflects the changes in general obligation long-term debt, during fiscal year 2011.

	<u>Balance</u> <u>July 1,</u> <u>2010</u>	<u>Addi-</u> <u>tions</u>	<u>Retire-</u> <u>ments</u>	<u>Balance</u> <u>June 30,</u> <u>2011</u>
Bonds – service building	51,000	-	6,000	45,000
Capital outlay notes – fire equipment	38,875	-	8,440	30,435
Capital outlay - paving	80,000	-	40,000	40,000
Total	<u>169,785</u>	<u>-</u>	<u>54,440</u>	<u>115,435</u>

CITY OF ERIN, TENNESSEE

Notes to Financial Statements, Continued

(5) Long-Term Debt and Other Obligations Payable, Continued

The following schedule reflects the changes in long-term debt, as shown in the Enterprise - Water Fund during the fiscal year 2011.

	Balance July 1, <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>2011</u>
1981 Issue	71,000	-	5,000	66,000
1972 Issue	25,000	-	8,000	17,000
1990 Issue	187,585	-	5,833	181,393
1999 Issue	90,160	-	1,703	88,225
2011 Issue	1,227,212	-	15,210	1,211,312
2000 Issue	<u>102,803</u>	<u>-</u>	<u>1,661</u>	<u>101,061</u>
Total	1,703,760	-	37,407	1,664,991

The following schedule reflects the changes in long-term debt, as shown in the Enterprise - Sewer Fund during the fiscal year 2011.

	Balance July 1, <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>2011</u>
State revolving loan	32,038	-	5,811	26,227
1987 Issue	<u>121,581</u>	<u>-</u>	<u>4,818</u>	<u>116,763</u>
Total	153,619	-	10,629	142,990

Enterprise fund obligations are secured by specific revenues of the respective funds and by the City's ability to assess taxes in the event user charges are not sufficient to meet debt service requirements.

Some of the various bond indentures contain significant limitations and restrictions as to annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in sinking funds, and minimum revenue bond coverages. The City was in compliance with all such significant limitations and restrictions as of yearend.

General Obligation debt -principal and interest requirements to maturity on all outstanding bonds, notes and obligations as of June 30, 2011, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	57,877	5,537
2013	17,470	2,365
2014	11,088	2,021
2015	5,000	1,400
2016	6,000	1,300
2017-2019	<u>18,000</u>	<u>3,700</u>
Total	<u>\$115,435</u>	<u>15,023</u>

CITY OF ERIN, TENNESSEE

Notes to Financial Statements, Continued

(5) Long-Term Debt and Other Obligations Payable, Continued

Enterprise Fund - Water Fund -principal and interest requirements to maturity on all outstanding bonds, notes and obligations as of June 30, 2011, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2012	39,490	76,628
2013	42,768	74,650
2014	35,109	72,509
2015	36,516	70,601
2016	37,993	68,522
2017-2020	216,801	313,374
2022-2025	239,393	259,932
2027-2030	236,191	201,387
2032-2035	259,114	148,561
2037-2040	279,506	89,851
2042-2044	242,110	26,837
Total	<u>\$ 1,664,991</u>	<u>1,402,842</u>

Enterprise Fund - Sewer Fund -principal and interest requirements to maturity on all outstanding bonds, notes and obligations as of June 30, 2011, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2012	10,392	6,276
2013	10,722	5,946
2014	11,109	5,559
2015	11,466	5,202
2016	10,481	4,732
2017-2021	35,663	18,277
2022-2026	45,517	8,424
2027	7,640	375
Total	<u>\$ 142,990</u>	<u>54,790</u>

(6) Contributed Capital - Enterprise Fund

In accordance with GASB No. 33 the City no longer records contributed capital from customer tap fees and grants from other governments. The City has recorded all of the contributed capital to the net asset section of the Statement of Net Assets.

(7) Interfund Transactions

Interfund receivables and payables at June 30, 2011 were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 29,969	418,020
Drug Fund	1,214	-
Sewer Fund	124,471	36,459
Water Fund	412,346	113,521
Total	<u>\$ 568,000</u>	<u>568,000</u>

The interfund balances between the Drug Fund and the General fund (\$1,214) relate to a deposit made to the General Fund that will be transferred to the Drug fund in the next fiscal year. The remaining balances between the General Fund, Water fund and Sewer fund relate to shared costs paid by one fund. The City is trying to lower the balances by making payments each fiscal year.

CITY OF ERIN, TENNESSEE

Notes to Financial Statements, Continued

(8) Pension Plan

Plan Description:

Employees of the City of Erin 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 10 (Ten) years of service or at any age with 30 years of service. A reduced retirement benefits is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 5 (Five) years of service and members joining prior to July 1, 1979 were vested after 4 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 Erin 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, Tennessee 37243-0230 or can be assessed at <http://www.tn.gov/treasury/ters/PS/>.

Funding Policy:

City of Erin requires employees contribute 5.0 percent of earnable compensation.

City of Erin is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 9.56% of annual covered payroll. The contribution requirements of plan members are set by state statute. Contribution requirements for Erin are established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2011, City of Erin's annual pension cost of \$55,915 to TCRS was equal to City of Erin's required and actual contributions.

The required contribution was determined as part of the initial participation actuarial valuation using the frozen entry age actuarial cost method. The contribution rates 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% per year compounded annually, (b) projected 3.0 percent annual rate of inflation (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a ten-year period. City of Erin'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.

CITY OF ERIN, TENNESSEE

Notes to Financial Statements, Continued

(8) Pension Plan, Continued

Annual Pension Cost, Continued

Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/2011	\$ 55,915	100.00%	\$ 0.00
6/30/2010	\$ 59,651	100.00%	\$ 0.00
6/30/2009	\$ 57,732	100.00%	\$ 0.00

Funded Status and Funding Progress:

As of July 1, 2009, the most recent actuarial valuation date, the plan was 82.45% funded. The actuarial accrued liability for benefits was \$1.9 million, and the actuarial value of assets was \$1.6 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.6 million, and the ratio of the UAAL to the covered payroll was 54.78% 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 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.

(9) Commitments and Contingencies

Litigation:

There are pending lawsuits in which the City is involved. The City attorney estimates that potential claims against the City resulting from such litigation will not materially affect the financial statements of the City at year end.

Grants:

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

(10) Risk Management

The City of Erin is exposed to various risks to general liability and property and casualty losses. The City has decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage. The City joined TML Insurance Pool which is a public entity risk pool established by the Tennessee Municipal League, an association of member cities. The City pays an annual premium to the TML for its general liability and property and casualty insurance coverage. The creation of the pool provides for it to be self-sustaining through member premiums. The pool reinsures through commercial insurance companies for claims in excess of \$130,000 for each insured event. The City has not had claims in excess of insurance coverage during the last three years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ERIN, TENNESSEE
 Required Supplementary Information
 June 30, 2011

(1) Pension Plan

Required Supplementary Information

Schedule of Funding Progress for The City of Erin:

Actuarial Valuation Date	(000's) Actuarial Value of Assets	(000's) Actuarial Accrued Liability	Unfunded AALL (UAAL)	Funded Ratio	(000's) Covered Payroll	UAAL as a % Of Covered Payroll
<u>7/01/09</u>	<u>(A)</u>	<u>(B)</u>	<u>(B) - (A)</u>	<u>(A/B)</u>	<u>⊙</u>	<u>((B-A)/C)</u>
7/01/09	\$1,573	\$ 1,908	335	82.45	611	54.78%
7/01/07	\$1,406	\$ 1,663	257	84.55%	643	39.97%

The Governmental Accounting Standards (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.

SUPPLEMENTAL INFORMATION

Financial schedules are used to demonstrate finance related legal and contractual compliance, provide details of data summarized in the financial statements and present other information deemed useful.

CITY OF ERIN, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Changes in Capital Assets By Type

June 30, 2011

<u>Description</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2011</u>
Land	\$118,128	0	0	118,128
Buildings and Improvements	887,665	0	0	887,665
Infrastructure	327,746	0	0	327,746
Equipment	329,759	22,599	77,646	274,712
Total Assets	<u>\$1,663,298</u>	<u>22,599</u>	<u>77,646</u>	<u>1,608,251</u>

CITY OF ERIN, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Capital Assets By Function and Activity

June 30, 2011

<u>Description</u>	<u>Land</u>	<u>Buildings</u>	<u>Infrastructure</u>	<u>Equipment</u>	<u>Total</u>
General Government	\$118,128	887,665	0	24,893	1,030,686
Police Department	0	0	0	36,400	36,400
Fire Department	0	0	0	80,999	80,999
Streets department	0	0	327,746	132,420	460,166
Total Assets	<u>\$118,128</u>	<u>887,665</u>	<u>327,746</u>	<u>274,712</u>	<u>1,608,251</u>

CITY OF ERIN, TENNESSEE

Schedule of Cash and Cash Equivalents and Certificate of Deposits
All Funds

June 30, 2011

	<u>Carrying Value</u>
General Fund:	
Demand deposits	\$427,359
Certificate of deposit	170,743
Total General Fund	<u>598,102</u>
Drug Fund:	
Demand deposits	<u>14,973</u>
Total Drug Fund	<u>14,973</u>
Water Fund:	
Demand deposits	<u>185,533</u>
Total Water Fund	<u>185,533</u>
Sewer Fund:	
Demand deposits	67,698
Total Sewer Fund	<u>67,698</u>
Total Enterprise Funds	<u>253,231</u>
Total Cash and Cash Equivalents - All Funds	<u><u>\$866,306</u></u>

CITY OF ERIN, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2011

<u>Tax Year</u>	<u>Balance July 1, 2010</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2011</u>
2011	\$ -	277,000	0	277,000
2010	277,000	6,972	260,054	23,918
2009	24,955	0	17,995	6,960
2008	6,714	0	3,885	2,829
2007	2,713	0	878	1,835
2006	1,979	0	615	1,364
2005	1,064	0	197	867
2004	741	0	0	741
2003	619	0	0	619
2002	319	0	319	0
2001	190	0	190	0
	<u>316,294</u>	<u>283,972</u>	<u>284,133</u>	<u>316,133</u>

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Tax Adjustment and Collections</u>	<u>Outstanding Deliquent Taxes</u>
2011	\$ 1.10	\$ 277,000	\$ 0	\$ 277,000
2010	1.10	283,972	260,054	23,918
2009	1.10	285,770	260,815	6,960
2008	1.108	285,592	282,763	2,829
2007	1.41	284,908	283,073	1,835
2006	1.41	279,251	277,887	1,364
2005	1.41	278,112	277,245	867
2004	0.98	198,045	197,304	741
2003	0.98	188,293	187,674	619
2002	0.98	190,678	190,678	0
2001	1.25	189,581	189,581	0

All deliquent taxes except for the 2010 tax year have been turned over to the County Trustee.

CITY OF ERIN, TENNESSEE

Schedule of Debt Service Requirements-
General Obligation Debt

June 30, 2011

Year	SERVICE BUILDING BONDS		CAPITAL OUTLAY NOTE -PAVING		CAPITAL OUTLAY NOTE-FIRE EQUIPMENT		TOTAL	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	6,000	2,000	40,000	2,079	11,877	1,458	57,877	5,537
2013	5,000	1,500	-	-	12,470	865	17,470	2,365
2014	5,000	1,600	-	-	6,088	421	11,088	2,021
2015	5,000	1,400	-	-	-	-	5,000	1,400
2016	6,000	1,300	-	-	-	-	6,000	1,300
2017	6,000	1,200	-	-	-	-	6,000	1,200
2018	6,000	800	-	-	-	-	6,000	800
2019	6,000	400	-	-	-	-	6,000	400
	<u>45,000</u>	<u>10,200</u>	<u>40,000</u>	<u>2,079</u>	<u>30,435</u>	<u>2,744</u>	<u>115,435</u>	<u>15,023</u>

CITY OF ERIN, TENNESSEE
Schedule of Debt Service Requirements-
Water Fund

June 30, 2011

Year	1981 BONDS		1972 BONDS		2007 BONDS		1990 BONDS		1999 BONDS		2000 BONDS		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	5,000	3,400	8,000	900	16,226	53,050	6,662	10,678	1,850	3,838	1,812	4,759	39,490	76,625
2013	6,000	3,100	9,000	500	16,936	52,340	6,998	10,282	1,928	3,760	1,906	4,665	42,768	74,647
2014	6,000	2,800	-	-	17,677	51,599	7,418	9,862	2,069	3,679	2,005	4,566	35,109	72,506
2015	6,000	2,300	-	-	18,450	50,826	7,863	9,417	2,093	3,595	2,110	4,461	36,516	70,599
2016	6,000	1,700	-	-	19,258	50,018	8,335	8,945	2,181	3,507	2,219	4,352	37,993	68,522
2017	6,000	1,200	-	-	20,100	49,176	8,835	8,445	2,273	3,415	2,335	4,236	39,542	66,473
2018	7,000	1,000	-	-	20,980	48,296	9,365	7,915	2,368	3,320	2,456	4,115	42,169	64,646
2019	7,000	800	-	-	21,897	47,379	9,927	7,353	2,467	3,221	2,584	3,987	43,875	62,740
2020	6,000	600	-	-	22,855	46,421	10,523	6,757	2,571	3,117	2,718	3,853	44,667	60,748
2021	6,000	500	-	-	23,855	45,421	11,154	6,126	2,679	3,009	2,860	3,711	46,548	58,767
2022	5,000	250	-	-	24,899	44,377	11,823	5,457	2,792	2,896	3,008	3,563	47,522	56,843
2023	-	-	-	-	25,988	43,288	12,533	4,747	2,909	2,779	3,165	3,406	44,594	54,221
2024	-	-	-	-	27,125	42,151	13,285	3,995	3,031	2,657	3,329	3,242	46,770	52,045
2025	-	-	-	-	28,312	40,964	14,082	3,198	3,158	2,530	3,502	3,069	49,054	49,761
2026	-	-	-	-	29,551	39,725	14,926	2,354	3,291	2,397	3,684	2,887	51,453	47,362
2027	-	-	-	-	30,844	38,432	15,822	1,458	3,429	2,259	3,876	2,695	53,971	44,844
2028	-	-	-	-	32,193	37,083	11,903	720	3,573	2,115	4,078	2,493	51,747	42,411
2029	-	-	-	-	33,601	35,675	-	-	3,723	1,965	4,290	2,281	41,614	39,921
2030	-	-	-	-	35,071	34,205	-	-	3,880	1,808	4,513	2,058	43,463	38,072
2031	-	-	-	-	36,606	32,670	-	-	4,043	1,645	4,747	1,824	45,396	36,139
2032	-	-	-	-	38,207	31,069	-	-	4,212	1,476	4,994	1,577	47,414	34,121
2033	-	-	-	-	39,879	29,397	-	-	4,389	1,299	5,254	1,317	49,522	32,013
2034	-	-	-	-	41,624	27,652	-	-	4,574	1,114	5,537	1,044	51,725	29,810
2035	-	-	-	-	43,445	25,831	-	-	4,766	922	5,815	756	54,025	27,510
2036	-	-	-	-	45,345	23,931	-	-	4,966	722	6,117	454	56,428	25,107
2037	-	-	-	-	47,329	21,947	-	-	5,174	514	6,435	136	58,939	22,596
2038	-	-	-	-	49,400	19,876	-	-	5,397	251	6,721	850	59,018	20,977
2039	-	-	-	-	51,561	17,715	-	-	-	-	-	-	51,561	17,715
2040	-	-	-	-	53,817	15,459	-	-	-	-	-	-	53,817	15,459
2041	-	-	-	-	56,171	13,105	-	-	-	-	-	-	56,171	13,105
2042	-	-	-	-	58,629	10,647	-	-	-	-	-	-	58,629	10,647
2043	-	-	-	-	61,194	8,082	-	-	-	-	-	-	61,194	8,082
2044	-	-	-	-	63,871	5,405	-	-	-	-	-	-	63,871	5,405
2045	-	-	-	-	58,416	2,703	-	-	-	-	-	-	58,416	2,703
	<u>66,000</u>	<u>17,650</u>	<u>17,000</u>	<u>1,400</u>	<u>1,211,312</u>	<u>1,135,915</u>	<u>181,393</u>	<u>107,710</u>	<u>88,225</u>	<u>63,811</u>	<u>101,061</u>	<u>76,556</u>	<u>1,664,991</u>	<u>1,402,842</u>

CITY OF ERIN, TENNESSEE

Schedule of Debt Service Requirements-
Sewer Fund

June 30, 2011

Year	STATE REVOLVING FUND		1987 BONDS		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	5,335	545	5,057	5,731	10,392	6,276
2013	5,412	468	5,310	5,478	10,722	5,946
2014	5,534	346	5,575	5,213	11,109	5,559
2015	5,612	268	5,854	4,934	11,466	5,202
2016	4,334	91	6,147	4,641	10,481	4,732
2017	-	-	6,454	4,334	6,454	4,334
2018	-	-	6,777	4,011	6,777	4,011
2019	-	-	7,116	3,672	7,116	3,672
2020	-	-	7,471	3,317	7,471	3,317
2021	-	-	7,845	2,943	7,845	2,943
2022	-	-	8,237	2,551	8,237	2,551
2023	-	-	8,649	2,139	8,649	2,139
2024	-	-	9,082	1,706	9,082	1,706
2025	-	-	9,536	1,252	9,536	1,252
2026	-	-	10,013	775	10,013	775
2027	-	-	7,640	375	7,640	375
	<u>26,227</u>	<u>1,718</u>	<u>116,763</u>	<u>53,072</u>	<u>142,990</u>	<u>54,790</u>

CITY OF ERIN, TENNESSEE

Schedule of Insurance Coverage

June 30, 2011

<u>Type of Coverage</u>		<u>Amounts</u>
Commercial Property	Buildings and equipment	Various
Auto Liability	Per occurrence	350,000
	Personal injury	130,000
	Property	50,000
Public officials	Errors and omission	1,000,000
General liability	Per occurrence	350,000
	Personal injury	130,000
	Property	50,000
Errors and Omissions		1,000,000
Worker's compensation		Statutory
Employee dishonesty bond	Per employee	100,000

CITY OF ERIN, TENNESSEE

Schedule of Bonds - Principal Officials

June 30, 2011

<u>Official</u>	<u>Title</u>	<u>Bond</u>
Elected Officials:		
Tommy Parchman	Mayor	55,000
Paul Gooden	Vice Mayor	-
Walter Dunn	Alderman	-
Paul Bailey	Alderman	-
Malinda Campbell	Alderman	-
Nethla Shires	Alderman	-
Betsy Ligon	Alderman	-
Nina Finley	Alderman	-
Phillip Gary Taylor	Alderman	-
Management:		
Lori Pendergrass	Town Recorder	55,000

CITY OF ERIN, TENNESSEE

Schedule of Utility Rates and Information

June 30, 2011

<u>Water Rates</u>	<u>Inside City</u>	<u>Outside City</u>
Up to 2,000 gallons	\$14.50 Minimum charge	\$21.00 Minimum charge
Over 2,000 gallons	\$2.25 per 1,000 gallons	\$3.70 per 1,000 gallons
<u>Sewer Rates</u>	<u>Inside City</u>	
First 1,000 gallons	\$13.10 Minimum charge	
Next 1,000 gallons	\$4.05 per 1,000 gallons	
Over 2,000 gallons	\$2.70 per 1,000 gallons	

There were 2,211 water customers and 462 sewer customers at year-end

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

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance June 30, 2010</u>	<u>Grant Receipts</u>	<u>Other</u>	<u>Grant Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2011</u>
Federal Program:								
10.766	N/A	Downtown enhancement	USDA thru Rural Development	0	110,394	0	110,394	0
N/A	FEMA1909- DRTN	Presidential Declaration FEMA Severe Flooding and Storms	Tennessee Emergency Management Agency - Military	0	133,893	0	133,893	0
State Program:								
N/A	HM-08-13	Home Grant	THDA	26,872	69,886	0	43,014	0
N/A	N/A	Highway Safety	Tennessee Department of Transportation	0	281	0	281	0
N/A	STP-EN-4200(11)	Downtown enhancement	Tennessee Department of Transportation	112,338	156,931	0	44,593	0
Total Federal and State				139,210	471,385	0	332,175	0

CITY OF ERIN, TENNESSEE

Schedule of Unaccounted For Water

For the year ended June 30, 2011

Water Treated and Purchased	(all amounts in gallons)
Water Pumped	367,185,000
Water Purchased	685,900
Total Water Treated and Purchased	<u>367,870,900</u>
Water sold	181,087,590
Metered for consumption	998,027
Fire department usage	162,500
Flushing	1,270,500
Tank Cleaning	0
Street Cleaning	0
Bulk sales	0
Water Bill adjustments	1,290,000
Total accounted for water	<u>184,808,617</u>
Unaccounted for water	183,062,283
Percent Unaccounted for water	49.76%
Other	0

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

**COMPLIANCE AND
INTERNAL CONTROL**

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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HENDERSONVILLE, TN 37075

(615) 822-4177

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND OTHER MATTERS
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mayor and Board of Aldermen
City of Erin, Tennessee
Erin, Tennessee

I have audited the financial statements of the governmental activities, the business type activities and each major fund information of the City of Erin as of and for the year ended June 30, 2011, and have issued a report thereon dated September 30, 2011. I conducted the 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

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing the audit, I considered the City of Erin's internal control over financial reporting as a basis for designing the auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Erin's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

My 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 discussed below, I identified a deficiency in internal control over financial reporting that I consider to be a material weakness (2011-01 Lack of segregation of Duties), and we identified a deficiency in internal control over financial reporting that I consider to be a significant deficiency (2005-01 Enterprise Funds not Self Supporting).

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described below (2011-01) to be a material weakness.

The material weakness is as follows:

2011-01 Separation of Duties

Due to the limited number of personnel employed by the City of Erin, several functions, which ideally should be performed by different individuals, are regularly performed by one or two persons. I recommend that the City strengthen its internal control in cash receipts, cash disbursements, and reconciliation of cash.

Management Response:

Due to the size of the office, a complete separation of duties is not possible. However we are continuing to monitor office responsibilities and segregate duties as needed.

A significant deficiency is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described below to be a significant deficiency.

The significant deficiency is as follows:

Prior Year Comments:

2005-01 Enterprise Funds Not Self-Supporting

The Water and Sewer enterprise utility funds are not currently self-supporting after depreciation of capital assets which is a violation of the Tennessee Code Annotated.

Recommendation:

The City should devise an appropriate business plan to generate sufficient revenues to cover all expenses.

Management Response:

We will continue to monitor the progress of this fund.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Erin's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Erin's response to the findings identified in the audit is described above. I did not audit the Management Response and, accordingly, I express no opinion on it.

I noted certain matters that I reported to management of the City of Erin in a separate letter dated September 30, 2011.

This report is intended solely for the information and use of the audit committee, management, and State Comptrollers Office and is not intended to be and should not be used by anyone other than these specified parties.

John R Poole, CPA

September 30, 2011