CITY OF RAMER, TENNESSEE

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

CITY OF RAMER, TENNESSEE

ANNUAL FINANCIAL REPORT

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CITY OF RAMER, TENNESSEE

ROSTER OF PUBLICLY ELECTED OFFICIALS

JUNE 30, 2012

PUBLICLY ELECTED OFFICIALS

George Armstrong	Mayor
Kendall Summers	Vice Mayor
Danny Ayers	Commissioner
Randy Roten	Commissioner
Bill Thomas	Commissioner

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GODWIN & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
408 Main Street, Savannah, Tennessee 38372
Phone 731.925.6547 Fax 731.925.9524

Independent Auditors' Report

To the Mayor and Board of Commissioners
City of Ramer
Ramer, Tennessee

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Ramer, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management.

We have been made aware during our engagement that the City did not have a listing of general fixed assets. There were many disbursements which lacked adequate support. And there was little or no control over the revenues for all of the funds. Furthermore, the City had no customer deposit subsidiary ledger and no detailed aging accounts receivable reports for the utility billings.

Since the City did not have a list of general fixed assets and lacked proper documentation for revenues and expenditures, and we were unable to apply other auditing procedures to satisfy ourselves concerning these issues, as discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts and grants. 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.

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The management's discussion and analysis on pages 4 - 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We were engaged to audit the financial statements referred to above for the purpose of forming an opinion on the financial statements that collectively comprise the City of Ramer, Tennessee's basic financial statements. The introductory section and supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. As discussed in the third paragraph above, the scope of our work was not sufficient to enable us to express an opinion on the financial position of the governmental activities and the changes in financial position. Similarly, we are unable to express and do not express an opinion on the supplemental information. The introductory section and the AWWA WLCC Free Water Audit Software: Reporting Worksheet – "unaudited" have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Godwin & Associates, PLLC

February 12, 2013

CITY OF RAMER, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Our discussion and analysis of the City of Ramer, Tennessee, will offer readers of the City's financial statements a narrative overview and review of the financial activities of the City for the fiscal year ended June 30, 2012. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 and 10) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 9. The following is one of the most important questions asked about the City's finances, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's health, or financial position. Over time, increases or decreases in the City's net assets are indicators of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as the condition of the City's roads and other factors, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the general administration, public safety, public works, and health, welfare, and recreation. Local sales taxes and state-shared revenue finance most of these activities.

- Business-type activities – The City has services for which it charges a fee to customers. The City's water operations are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 11 with the fund financial statements that provide detailed information about the most significant funds (not the City as a whole). State law requires some funds to be established. However, the City Council establishes other funds to help it control and manage money for particular purposes. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- *Governmental Funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliation at the bottom of the fund financial statements.

- *Proprietary Funds* – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-30.

THE CITY AS A WHOLE

For the year ended June 30, 2012, net assets changed as follows:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 57,083	$ 67,390	$ 71,823	$ 72,382	$ 128,906	$ 139,772
Capital assets	377,902	416,141	238,699	256,382	616,601	672,523
Total Assets	434,985	483,531	310,522	328,764	745,507	812,295
Other liabilities	143	1,414	8,894	10,424	9,037	11,838
Total Liabilities	143	1,414	8,894	10,424	9,037	11,838
Net Assets:						
Invested in capital assets, net of related debt	377,902	416,141	238,699	257,145	616,601	673,286
Restricted for:						
State Street Aid	35,848	33,306	-	-	35,848	33,306
Construction	-	-	-	-	-	-
Unrestricted	21,092	32,670	62,929	61,195	84,021	93,865
Total Net Assets	$ 434,842	$ 482,117	$ 301,628	$ 318,340	$ 736,470	$ 800,457

The City's combined net assets decreased by $63,987 during the fiscal year compared to a increase in the prior year of $131,535. Of that total decrease, business-type activities net assets decreased by $16,712. The City's governmental activities net assets decreased by $47,275.

Governmental Activities

Total revenues for the City's governmental activities decreased by $181,107(77%). Total expenditures increased by $10,751(12%).

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

Business-type Activities

The changes in business-type activities net assets are described below:

- The City's Water Department had a decrease in net assets of $16,712 compared to a decrease in net assets in the prior year of $13,028.

The following schedule presents a summary of the City's operations for the fiscal year ended June 30, 2012.

CITY OF RAMER'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		TOTAL	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Fees, fines and charges for services	$ 1,925	$ 1,903	$ 55,921	$ 54,143	$ 57,846	$ 56,046
Operating grants and contributions	8,125	14,187	-	-	8,125	14,187
Capital grants and contributions	-	179,990	-	-	-	179,990
General Revenues:						
Sales taxes	34,353	34,893	-	-	34,353	34,893
In lieu of taxes	3,686	3,984	-	-	3,686	3,984
Investment earnings	129	416	115	543	244	959
Gain on sale of capital assets	2,600	-	-	-	2,600	-
Miscellaneous revenues	3,741	293	-	-	3,741	293
Total revenues	54,559	235,666	56,036	54,686	110,595	290,352
Expenses:						
General government	44,036	36,599	-	-	44,036	36,599
Public safety	43,339	34,932	-	-	43,339	34,932
Public works	5,763	11,491	-	-	5,763	11,491
Health, welfare and recreation	8,696	8,061	-	-	8,696	8,061
Water	-	-	72,748	67,714	72,748	67,714
Total expenses	101,834	91,083	72,748	67,714	174,582	158,797
Increase(Decrease) in net assets	(47,275)	144,583	(16,712)	(13,028)	(63,987)	131,555
Net assets at beginning of year	482,117	337,534	318,340	331,368	800,457	668,902
Net assets at end of year	$ 434,842	$ 482,117	$ 301,628	$ 318,340	$ 736,470	$ 800,457

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of $56,940 which is only 14% below last year's total of $65,976.

The following schedule presents a summary of the general fund and special revenues funds' revenues and expenses for the fiscal year ended June 30, 2012, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	June 30, 2012	Percent of Total	Increase (Decrease) from June 30, 2011
Taxes	$ 6,679	12.85%	$ (4,105)
Intergovernmental	39,485	75.99%	(179,035)
Other revenues	5,795	11.15%	(567)
Total Revenues	$ 51,959	100.00%	$ (183,707)

The decrease in intergovernmental revenues was due to the FEMA grant received in the prior year in the amount of $179,990.

Expenditures	June 30, 2012	Percent of Total	Increase (Decrease) from June 30, 2011
General government	$ 44,036	69.24%	$ 7,437
Public Safety	5,929	9.32%	(585)
Public Works	5,583	8.78%	(5,728)
Health, Welfare, and Recreation	8,047	12.65%	635
Capital outlay	-	0.00%	(185,925)
Total Expenditures	$ 63,595	100.00%	$ (184,166)

The decrease in expenditures in capital outlay was due to the purchase of a fire tanker and fire equipment in the prior year.

General Fund Budgetary Highlights

Over the course of a year the City did not make any amendments to the budget. The General Fund had expenditures that exceeded appropriations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2012, the City had $616,601 (net of accumulated depreciation) invested in a broad range of capital assets, including fire equipment, buildings, water lines, and various other equipment. Additional information on capital assets is in Note 3.C.

Debt

The Town had no debt at June 30, 2012.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City at P.O. Box 38, Ramer, Tennessee 38367.

Tabitha Dickey
City Recorder

CITY OF RAMER, TENNESSEE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 51,649	$ 24,483	$ 76,132
Investments	-	36,849	36,849
Receivables:			
Accounts receivable, net of allowance	-	1,154	1,154
Interest receivable	52	-	52
Due from other governments	12,343	-	12,343
Other receivables	-	97	97
Internal balances	(9,240)	9,240	-
Prepaid expenses	2,279	-	2,279
Capital assets not being depreciated:			
Land	113,698	763	114,461
Capital assets, net of accumulated depreciation:			
Furniture, fixtures and equipment	131,596	-	131,596
Infrastructure	2,805	-	2,805
Improvements other than buildings	129,803	-	129,803
Water plant in operation	-	237,936	237,936
Total assets	434,985	310,522	745,507
LIABILITIES			
Accounts payable and accrued expenses	143	2,878	3,021
Customer deposits	-	6,016	6,016
Total liabilities	143	8,894	9,037
NET ASSETS			
Invested in capital assets, net of related debt	377,902	238,699	616,601
Restricted for:			
State street aid	35,848	-	35,848
Unrestricted	21,092	62,929	84,021
Total net assets	$ 434,842	$ 301,628	$ 736,470

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

CITY OF RAMER, TENNESSEE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Program Activities	Expenses	PROGRAM REVENUES: Fees, Fines and Charges for Services	PROGRAM REVENUES: Operating Grants and Contributions	PROGRAM REVENUES: Capital Grants and Contributions	NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS: Governmental Activities	NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS: Business-type Activities	NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS: Total
Governmental activities							
General Government	$ 44,036	$ 1,925	$ -	$ -	$ (42,111)	$ -	$ (42,111)
Public Safety	43,339	-	-	-	(43,339)	-	(43,339)
Public Works	5,763	-	8,125	-	2,362	-	2,362
Health, Welfare and Recreation	8,696	-	-	-	(8,696)	-	(8,696)
Total governmental activities	101,834	1,925	8,125	-	(91,784)	-	(91,784)
Business-type activities:							
Water Fund	72,748	55,921	-	-	-	(16,827)	(16,827)
Total business-type activities	72,748	55,921	-	-	-	(16,827)	(16,827)
Total government	$ 174,582	$ 57,846	$ 8,125	$ -	(91,784)	(16,827)	(108,611)
General revenues:							
Sales taxes					34,353	-	34,353
In lieu of taxes					3,686	-	3,686
Investment earnings					129	115	244
Gain on sale of capital assets					2,600	-	2,600
Miscellaneous revenues					3,741	-	3,741
Total general revenues					44,509	115	44,624
Change in net assets					(47,275)	(16,712)	(63,987)
Net assets - beginning					482,117	318,340	800,457
Net assets - ending					$ 434,842	$ 301,628	$ 736,470

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

CITY OF RAMER, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	State Street Aid	Total
ASSETS			
Cash and cash equivalents	$ 33,702	$ 17,947	$ 51,649
Due from other government	10,874	1,469	12,343
Due from other funds	-	16,432	16,432
Interest receivable	52	-	52
Prepaid insurance	2,279	-	2,279
TOTAL ASSETS	$ 46,907	$ 35,848	$ 82,755
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ -	$ -	$ -
Accrued expenses	143	-	143
Due to other funds	25,672	-	25,672
TOTAL LIABILITIES	25,815	-	25,815
FUND BALANCE			
Restricted for:			
State street aid	-	35,848	35,848
Unassigned	21,092	-	21,092
TOTAL FUND BALANCES	21,092	35,848	56,940
TOTAL LIABILITIES AND FUND BALANCES	$ 46,907	$ 35,848	

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.	377,902
	$ 434,842

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

CITY OF RAMER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	State Street Aid	Total Governmental Funds
Revenues			
Taxes	$ 6,679	$ -	$ 6,679
Intergovernmental revenues	31,360	8,125	39,485
Other revenues	5,795	-	5,795
Total revenues	43,834	8,125	51,959
Expenditures			
Current:			
General government	44,036	-	44,036
Public safety	5,929	-	5,929
Public works	-	5,583	5,583
Health, welfare, and recreation	8,047	-	8,047
Total expenditures	58,012	5,583	63,595
Revenues over (under) expenditures	(14,178)	2,542	(11,636)
Other financing sourcs (uses)			
Sale of capital assets	2,600	-	2,600
Net change in fund balance	(11,578)	2,542	(9,036)
Fund Balance, Beginning of Year	32,670	33,306	65,976
Fund Balance, End of Year	$ 21,092	$ 35,848	$ 56,940

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

CITY OF RAMER, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds	$	(9,036)
Amounts reported for governmental activities in the statement of activitites are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded for the current period.		-
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in government funds.		(38,239)
Change in net assets of governmental activities	$	(47,275)

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

CITY OF RAMER, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES				
Taxes				
Local sales tax	$ 12,500	$ 12,500	$ 6,679	$ (5,821)
Total taxes	12,500	12,500	6,679	(5,821)
Intergovernmental				
TVA payments in lieu of taxes	3,400	3,400	3,686	286
State of Tennessee				
- Sales tax allocation	23,500	23,500	21,714	(1,786)
- Telecommunication tax	-	-	18	18
- Income tax allocation	600	600	5,121	4,521
- Beer tax allocation	160	160	157	(3)
- City street & transportation	700	700	664	(36)
Total intergovernmental revenues	28,360	28,360	31,360	3,000
Other revenues				
Rent	1,700	1,700	1,925	225
Miscellaneous	-	-	3,741	3,741
Interest	375	375	129	(246)
Total other revenues	2,075	2,075	5,795	3,720
TOTAL REVENUES	42,935	42,935	43,834	899
EXPENDITURES				
GENERAL GOVERNMENT				
Finance				
Salaries	3,800	3,800	6,112	(2,312)
Payroll taxes	-	-	468	(468)
Advertising	600	600	850	(250)
Insurance	1,750	1,750	2,439	(689)
Travel	-	-	1,269	(1,269)
Miscellaneous	-	-	480	(480)
Professional fees	3,000	3,000	6,875	(3,875)
Total finance	9,150	9,150	18,493	(9,343)
Government buildings				
Office supplies	1,500	1,500	2,223	(723)
Dues and subscriptions	-	-	274	(274)
Utilities	10,550	10,550	11,075	(525)
Telephone	1,800	1,800	1,351	449
Small items of equipment	-	-	3,606	(3,606)
Contract labor	-	-	240	(240)
Repairs and maintenance	6,000	6,000	6,774	(774)
Total government buildings	19,850	19,850	25,543	(5,693)
TOTAL GENERAL GOVERNMENT	29,000	29,000	44,036	(15,036)

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

CITY OF RAMER, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (cont.)
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
EXPENDITURES(continued)				
PUBLIC SAFETY				
Fire department				
Volunteer fire fighters	1,500	1,500	1,715	(215)
Operating supplies	2,000	2,000	416	1,584
Insurance	3,650	3,650	-	3,650
Gas, oil and diesel	1,000	1,000	-	1,000
Repair and maintenance	1,500	1,500	3,798	(2,298)
Total fire department	9,650	9,650	5,929	3,721
TOTAL PUBLIC SAFETY	9,650	9,650	5,929	3,721
HEALTH, WELFARE, AND RECREATION				
Park				
Dixie Youth expenses	4,400	4,400	6,131	(1,731)
Dispatching fees	-	-	500	(500)
Utilities	1,700	1,700	1,416	284
TOTAL HEALTH, WELFARE, AND RECREATION	6,100	6,100	8,047	(1,947)
TOTAL EXPENDITURES	44,750	44,750	58,012	(13,262)
REVENUES OVER (UNDER) EXPENDITURES	(1,815)	(1,815)	(14,178)	(12,363)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	2,600	2,600
NET CHANGE IN FUND BALANCE	(1,815)	(1,815)	(11,578)	(9,763)
Fund Balance - Beginning of Year	32,670	32,670	32,670	-
Fund Balance - End of Year	$ 30,855	$ 30,855	$ 21,092	$ (9,763)

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

CITY OF RAMER, TENNESSEE
SPECIAL REVENUE FUND - STATE STREET AID
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Intergovernmental revenues				
State gasoline and motor fuel tax	$ 9,300	$ 9,300	$ 5,476	$ (3,824)
State gas 3 cent tax	-	-	1,722	1,722
State gas 1989 tax	-	-	927	927
TOTAL REVENUES	9,300	9,300	8,125	(1,175)
EXPENDITURES				
Repairs and maintenance	15,000	15,000	-	15,000
Street lighting	5,500	5,500	5,547	(47)
Miscellaneous	-	-	36	(36)
TOTAL EXPENDITURES	20,500	20,500	5,583	14,917
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(11,200)	(11,200)	2,542	13,742
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(11,200)	(11,200)	2,542	13,742
FUND BALANCES - BEGINNING OF YEAR	33,306	33,306	33,306	-
FUND BALANCES - END OF YEAR	$ 22,106	$ 22,106	$ 35,848	$ 13,742

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

CITY OF RAMER, TENNESSEE
WATER DEPARTMENT
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	24,483
Investments		36,849
Accounts receivable, net of allowance		1,154
Due from other funds		9,240
Other receivables		97
TOTAL CURRENT ASSETS		71,823
PROPERTY, PLANT AND EQUIPMENT		
Land		763
Water plant in operation		650,554
TOTAL PROPERTY, PLANT AND EQUIPMENT		651,317
Less Accumulated Depreciation		(412,618)
NET PROPERTY, PLANT AND EQUIPMENT		238,699
TOTAL ASSETS	$	310,522
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
(Payable from Current Assets)		
Accounts payable	$	1,214
Accrued expenses		1,664
Customer deposits		6,016
TOTAL CURRENT LIABILITIES		8,894
TOTAL LIABILITIES		8,894
NET ASSETS		
Invested in capital assets, net of related debt		238,699
Unrestricted		62,929
TOTAL NET ASSETS		301,628
TOTAL LIABILITIES AND NET ASSETS	$	310,522

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

CITY OF RAMER, TENNESSEE
WATER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

OPERATING REVENUES	
Charges for services	
Water sales	$ 55,921
OPERATING EXPENSES	
Salaries	21,477
Payroll taxes	1,643
Chemicals	8,322
Bank service charges	242
Contract labor	1,610
Postage	1,237
Dues and subscriptions	864
Utilities	4,599
Professional fees	4,050
Repairs and maintenance	5,914
Supplies	2,254
Testing	75
Travel	1,494
Miscellaneous	521
Depreciation	18,446
TOTAL OPERATING EXPENSES	72,748
OPERATING LOSS	(16,827)
NONOPERATING REVENUES (EXPENSES)	
Interest income	115
NET NONOPERATING REVENUES (EXPENSES)	115
CHANGE IN NET ASSETS	(16,712)
NET ASSETS AT BEGINNING OF YEAR	318,340
NET ASSETS AT END OF YEAR	$ 301,628

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

CITY OF RAMER, TENNESSEE
WATER DEPARTMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	55,443
Cash received from other funds		255
Cash payments to suppliers for goods and services		(31,971)
Cash payments to employees for services		(23,383)
NET CASH PROVIDED BY OPERATING ACTIVITIES		344
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases/redemptions of investments		(116)
Interest on cash and investments		115
NET CASH PROVIDED BY INVESTING ACTIVITIES		(1)
NET INCREASE IN CASH AND CASH EQUIVALENTS		343
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		24,140
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	24,483

RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	$	(16,827)
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:		
Depreciation and amortization		18,446
Changes in Assets and Liabilities:		
(Increase) decrease in accounts receivable		-
(Increase) decrease in due from other funds		-
Increase (decrease) in accounts payable		(789)
Increase (decrease) in due to other funds		255
Increase (decrease) in customer deposits		(478)
Increase (decrease) in accrued liabilities		(263)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	344

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1. A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government:	City of Ramer
Blended Component Units:	None

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes each component unit of which the City appointed a voting majority of the unit's board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

1. B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

The focus of Governmental Fund measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the City:

General Fund - is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Fund

The focus of Proprietary Fund measurement is upon determination of net income, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following is a description of the Proprietary Fund of the City:

Enterprise Fund - used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Fund	Brief Description
Major:	
General	See above for description.
Special Revenue Fund:	
State Street Aid	Accounts for the state gas tax revenue and the expenditures legally restricted to street maintenance.
Proprietary:	
Water Department	Accounts for the water operations.

1. C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related

program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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 sales tax collected from local citizenry, interest income, and any miscellaneous income. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net costs (by function or business-type activity) are normally covered by general revenue (sales and use taxes, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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.

1. D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets and the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.A. and 3.A.

Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable bond covenants.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and

payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3.F. for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. There is no allowance for uncollectible accounts. Business-type activities report utility sales as their major receivables.

Inventories and Prepaid Expense

Inventories of office materials and supplies of all funds of the City were deemed to be immaterial and were not inventoried or reflected in the records. Prepaid expenses are also maintained on the consumptive method of accounting.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	Years
Buildings	10-50
Equipment	5-17
Vehicles	5-7
Plant	15-50

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The City had no long-term debt during the year or at year end.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for debt of proprietary funds is the same in the fund statements as it is in the government-wide statements.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Proprietary fund equity is classified the same as in the government-wide statements.

1. E. REVENUES, EXPENDITURES AND EXPENSES

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/ Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental funds – by Character:	Current (further classified by function) Capital Outlay
Proprietary Fund – By Operating and Nonoperating	

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABLITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

Interfund Receivables
Interfund receivables were not eliminated within one year of origination.

Budget Appropriations
The General Fund had expenditures that exceeded budgeted appropriations for the year ended June 30, 2012.

2. A. DEPOSITS AND INVESTMENTS – LAWS AND REGULATIONS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. The City has no policy regarding custodial credit risk for deposits.

The City's investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits, certificates of deposits, and repurchase agreements at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its subdivisions. The City has no policy that further limits allowable investments.

2. B. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Gasoline Excise Tax	Street Purposes
Grants	Grant Program Expenditures

2. C. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Tennessee statutes prohibit the creation of a deficit fund balance in any individual fund. The City complied with this statute in all material respects at year-end.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

3. A. CASH

Deposits

The City's policies regarding deposits of cash are discussed in Note 2.A. The City's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the State's Bank Collateral Pool).

3. B. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of utilities receivable. Receivables detail at June 30, 2012, is as follows:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	$ -	$ 4,954	$ 4,954
Allowance for doubtful accounts	-	(3,800)	(3,800)
Net accounts receivable	$ -	$ 1,154	$ 1,154

3. C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance 7/1/11	Additions/ Completions	Retirements/ Adjustments	Balance 6/30/12
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 113,698	$ -	$ -	$ 113,698
Total Capital assets not being depreciated	113,698	-	-	113,698
Capital assets being depreciated				
Improvements other than buildings	133,047	-	-	133,047
Infrastructure	3,600	-	-	3,600
Furniture, fixtures and equipment	503,811	-	-	503,811
Total Capital assets being depreciated	640,458	-	-	640,458
Less accumulated depreciation for:				
Improvements other than buildings	(2,595)	-	649	(3,244)
Infrastructure	(615)	-	180	(795)
Furniture, fixtures and equipment	(334,805)	-	37,410	(372,215)
Total accumulated depreciation	(338,015)	-	38,239	(376,254)
Total capital assets, being depreciated, net	302,443			264,204
Governmental activities capital assets, net	$ 416,141			$ 377,902
Business-type activies:				
Capital assets not being depreciated				
Land	$ 763	$ -	$ -	$ 763
Total Capital assets not being depreciated	763	-	-	763
Capital assets being depreciated				
Water plant in operation	650,554	-	-	650,554
Total Capital assets being depreciated	650,554	-	-	650,554
Less accumulated depreciation for:				
Water plant in operation	(394,172)	-	18,446	(412,618)
Total accumulated depreciation	(394,172)	-	18,446	(412,618)
Total capital assets, being depreciated, net	256,382			237,936
Business-type activities capital assets, net	$ 257,145			$ 238,699

Depreciation expense was charged to governmental activities as follows:

Governmental Function:	
Public safety	$ 37,410
Public works	180
Health, welfare, and recreation	649
Total depreciation expense	$ 38,239

3. D. ACCOUNTS PAYABLE

Payables in the general fund are totally composed of payables to vendors.

3. E. INTERFUND TRANSACTIONS AND BALANCES

Interfund Receivables and Payables

DUE FROM:	DUE TO: General
State Street Aid	$ 16,432
Water	9,240
Total	$ 25,672

The General fund owes State Street Aid for motor fuel tax revenue. The General fund also owes the Water Fund for allocation of half of the City Recorder's salary and payroll taxes.

3. F. ACCOUNTING CHANGE FOR FUND BALANCE REPORTING

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. The Town of Ramer implemented this standard in the current fiscal year since it became effective for the year ended June 30, 2011.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

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 and includes all spendable amounts not contained in the other classifications.

Order of Fund Balance Spending Policy

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.

NOTE 4. OTHER NOTES

4. A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is carried for employees' bonds and certain property destruction and employee health and accident claims. The City also participates in the Tennessee Municipal League Risk Management Pool, a public entity risk pool, for errors and omissions, automobile liability and physical damage, workers compensation, and employees' liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the three past fiscal years. The Tennessee Municipal League Risk Management Pool has been self-sustaining through member premiums. Members consist of local jurisdiction municipalities and utility districts in the state. Members are responsible for a pro-rata portion of claims which exceed the Pool's reserves. No additional assessments have ever been made by the Pool to its members as a result of losses experienced.

CITY OF RAMER, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
JUNE 30, 2012

First 1,000 gallons	$14.85 minimum bill
Over 1,000 gallons	$2.20 per thousand

Number of Customers	204

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

CITY OF RAMER, TENNESSEE
SCHEDULE OF OFFICIAL BONDS OF PRINCIPAL OFFICIALS
JUNE 30, 2012

Name	Title	Amount of Official Bond	Type of Official Bond
George Armstrong	Mayor	$ 10,000	surety bond
Kendall Summers	Vice Mayor	$ 10,000	surety bond
Tabitha Dickey	City Recorder	$ 10,000	surety bond

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

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AWWA WLCC Free Water Audit Software: Reporting Worksheet

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WAS v4.2

Back to Instructions

? Click to access definition

Water Audit Report for: RAMER WATER DEPARTMENT

Reporting Year: 2012 7/2011 - 6/2012

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

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

<< Enter grading in column 'E'

WATER SUPPLIED							
Volume from own sources:	?	5	18.480	Million gallons (US)/yr (MG/Yr)			
Master meter error adjustment (enter positive value):	?	7	0.185	under-registered		MG/Yr	
Water imported:	?	n/a		MG/Yr			
Water exported:	?	n/a		MG/Yr			
WATER SUPPLIED:			18.665	MG/Yr			
AUTHORIZED CONSUMPTION							
Billed metered:	?	7	12.628	MG/Yr			
Billed unmetered:	?	n/a		MG/Yr			
Unbilled metered:	?	n/a		MG/Yr	Pcnt:		Value:
Unbilled unmetered:	?	7	0.431	MG/Yr	1.25%	○ ◉	0.431
AUTHORIZED CONSUMPTION:	?		13.059	MG/Yr			
WATER LOSSES (Water Supplied - Authorized Consumption)			5.606	MG/Yr			
Apparent Losses					Pcnt:		Value:
Unauthorized consumption:	?		0.047	MG/Yr	0.25%	◉ ○	
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed							
Customer metering inaccuracies:	?	7	0.950	MG/Yr	7.00%	◉ ○	
Systematic data handling errors:	?	7	0.126	MG/Yr			
Apparent Losses:	?		1.123				
Real Losses (Current Annual Real Losses or CARL)							
Real Losses = Water Losses - Apparent Losses:	?		4.483	MG/Yr			
WATER LOSSES:			5.606	MG/Yr			
NON-REVENUE WATER							
NON-REVENUE WATER:	?		6.037	MG/Yr			
= Total Water Loss + Unbilled Metered + Unbilled Unmetered							
SYSTEM DATA							
Length of mains:	?	7	7.0	miles			
Number of active AND inactive service connections:	?	7	250				
Connection density:			36	conn./mile main			
Average length of customer service line:	?	10	0.0	ft	(pipe length between curbstop and customer meter or property boundary)		
Average operating pressure:	?	7	85.0	psi			
COST DATA							
Total annual cost of operating water system:	?	9	$72,228	$/Year			
Customer retail unit cost (applied to Apparent Losses):	?	9	$4.77	$/1000 gallons (US)			
Variable production cost (applied to Real Losses):	?	7	$774.89	$/Million gallons			

Click here: ? for help using option buttons below

Use buttons to select percentage of water supplied OR value

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

PERFORMANCE INDICATORS		
Financial Indicators		
Non-revenue water as percent by volume of Water Supplied:	32.3%	
Non-revenue water as percent by cost of operating system:	12.7%	
Annual cost of Apparent Losses:	$5,357	
Annual cost of Real Losses:	$3,474	
Operational Efficiency Indicators		
Apparent Losses per service connection per day:	12.31	gallons/connection/day
Real Losses per service connection per day*:	49.13	gallons/connection/day
Real Losses per length of main per day*:	N/A	
Real Losses per service connection per day per psi pressure:	0.58	gallons/connection/day/psi
? Unavoidable Annual Real Losses (UARL):	Not Valid	
*** UARL cannot be calculated as either average pressure, number of connecions or length of mains is too small: SEE UARL DEFINITION ***		
From Above, Real Losses = Current Annual Real Losses (CARL):	4.48	
? Infrastructure Leakage Index (ILI) [CARL/UARL]:		

* only the most applicable of these two indicators will be calculated

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 67 out of 100 ***

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

PRIORITY AREAS FOR ATTENTION:

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

1: Volume from own sources

2: Master meter error adjustment

3: Billed metered

For more information, click here to see the Grading Matrix worksheet

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

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

To the Mayor and Board of Commissioners
City of Ramer
Ramer, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Ramer, Tennessee (the City), as of and for the year ended June 30, 2012, which collectively comprise the City of Ramer, Tennessee's basic financial statements and have issued our report thereon dated February 12, 2013. We did not express an opinion on the governmental activities, the business-type activities, and each major fund of the City of Ramer, Tennessee because the City did not have a list of general fixed assets, and lacked proper documentation for revenues and expenditures, and we were unable to apply other auditing procedures to satisfy ourselves concerning these issues. Except as discussed in the preceding sentence, 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

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a

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deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below as 2004 – 01, 2004 – 03, 2004 - 04, 2004 – 06, 2004 – 09, 2004 – 11, 2008 – 02, 2008 – 03, 2012 – 01, 2012 – 02, and 2012 -03 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below as 2004 – 02, 2004 – 05, and 2004 – 13 to be significant deficiencies.

2004 – 01 INADEQUATE SEGREGATION OF DUTIES

Finding – There is not sufficient segregation of duties to accomplish an adequate internal control structure.

Recommendation – Management should try to compensate for this by requiring preparation of monthly reports in key areas. These reports should be reviewed and maintained by management.

Management's Response – We have an accounting firm doing payroll and an outside person balancing bank statements.

2004 – 02 PURCHASING POLICY

Finding – The City does not have a written purchasing policy. Neither receiving reports nor purchase orders are being used.

Recommendation – Develop a written purchasing policy and have it approved by the board.

Management's Response – We agree and will correct this finding.

2004 – 03 DISBURSEMENTS

Finding – The City did not have adequate supporting documentation for various disbursements.

Recommendation – Obtain adequate support for all disbursements before payment is made.

Management's Response – We agree and will correct this finding.

2004 – 04 GENERAL LEDGER

Finding – The City did not maintain a general ledger on a timely basis.

Recommendation – A general ledger should be maintained in a timely fashion and monthly reconciliations should be performed.

Management's Response – We agree and are in the process of correcting this finding. We have purchased local government software and it is currently being installed.

2004 – 05 CUSTOMER DEPOSITS

Finding – The City did not maintain a subsidiary ledger for customer deposits.

Recommendation – A subsidiary ledger for customer deposits should be maintained and reconciled on a monthly basis to the general ledger.

Management's Response – We agree and will correct this finding.

2004 – 06 ACCOUNTS RECEIVABLE

Finding – The City did not maintain an accounts receivable subsidiary ledger and reconcile it to the general ledger. The City also did not obtain written approval for adjustments made to utility bills.

Recommendation – The City should maintain an accounts receivable ledger. This subsidiary ledger should be reconciled to the general ledger on a monthly basis. Also, a report should be maintained detailing all utility adjustments and should be approved by appropriate personnel.

Management's Response – We agree and will correct this finding.

2004 – 09 BANK RECONCILIATIONS

Finding – The City did not reconcile any of its cash accounts in a timely manner. Furthermore, certificates of deposit were not reconciled to the general ledger.

Recommendation – The City should reconcile all cash accounts and certificates of deposit to the general ledger on a monthly basis.

Management's Response – We agree and are in the process of correcting this finding.

2004 – 11 INADEQUATE CONTROLS OVER RECREATION REVENUE

Finding –The City did not maintain adequate logs or receipts for revenue collected for Civic Center rent.

Recommendation – Adequate logs or reconciliations of Civic Center rental income needs to be maintained and reviewed.

Management's Response – We will begin keeping the necessary reconciliations on all recreation revenues.

2004 – 13 GENERAL FIXED ASSETS

Finding – The City did not have a list of its general fixed assets. Also, depreciation was not calculated on the City's general fixed assets or on the Water fund's fixed assets.

Recommendation – The City should take an inventory of all fixed assets and maintain this list. All fixed assets should be depreciated.

Management's Response – We agree and will begin to correct this finding.

2008 – 02 UNTIMELY DEPOSITS

Finding – The City did not make deposits in a timely manner. There are usually only two deposits per month.

Recommendation – The City should deposit funds within three banking days of receipt.

Management's Response – We agree and will correct this finding.

2008 – 03 CASH RECONCILIATIONS

Finding - The City does not have daily cash receipt reconciliations.

Recommendation – We recommend that daily reconciliations be prepared to agree actual receipts to amounts deposited into the bank account and amounts recorded on the general ledger.

Management's Response – We agree. We are having software installed that should correct this finding.

2012 – 01 REVENUES NOT RECORDED ACCORDING TO FUNCTION

Finding – The City does not record revenues properly as to function. We noted that all revenues on the Water Fund are recorded as water sales.

Recommendation – We recommend that revenues be recorded properly as to function.

Management's Response – We agree and will correct this finding.

2012-02 PRENUMBERED RECEIPTS NOT ISSUED

Finding – The City is not issuing prenumbered receipts for most collections.

Recommendation – We recommend that the City issue a prenumbered receipt for all collections.

Management's Response – We agree and will correct this finding.

2012-03 SALARIES AND PAYROLL TAXES

Finding – The City is posting salaries at net amount paid to employees. An outside accounting firm completes the City's quarterly payroll reports and submits the payroll taxes. The City then records amounts reimbursed to the accounting firm to professional fees.

Recommendation – We recommend that salaries and payroll taxes be recorded properly.

Management's Response – We agree and will correct this finding.

Compliance and Other Matters

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

2004 – 15 NONPAYMENT OF INTERFUND RECEIVABLES

Finding – Interfund receivables that were on the financial statements at June 30, 2010, were still present at June 30, 2012. These receivables should be paid within one year's time.

Recommendation – Retire this receivable during the year and periodically review to ensure that future receivables are paid timely.

Management's Response – We agree and will correct this within the next fiscal year.

2007 – 03 EXPENDITURES EXCEEDING APPROPRIATIONS

Finding: Expenditures exceeded budgeted appropriations in the General Fund. The City should not expend unappropriated funds. However, if circumstances suggest that expenditures are expected to exceed appropriations, the budget should be amended.

Recommendation: Closely monitor expenditures and adequately budget for capital outlays to avoid overruns.

Management's Response: We agree and will monitor our expenditures.

2009 – 01 DONATIONS TO NONPROFIT ORGANIZATIONS

Finding: The City does not maintain adequate documentation on organizations to which it makes donations. The City also did not adopt a special resolution or budget for the donation.

Recommendation: The City should comply with the following rules:

1. Funds may only be appropriated for only those nonprofit charitable and nonprofit civic organizations that provide services benefiting the general welfare of the residents of the municipality as provided by Section 1(a), Chapter 838, Public Acts 1978.

2. The governing body of the municipality shall adopt a special resolution for each nonprofit charitable or nonprofit civic organization that is to receive municipal funds, stating the purpose for which the funds are being appropriated.

3. The budget document of the municipality shall include the name of each nonprofit charitable or nonprofit civic organization and the specific amount appropriated for each organization.

4. Payments to nonprofit charitable or nonprofit civic organizations shall be limited to the amounts appropriated for such purposes and in keeping with the municipality's guidelines for how the appropriated funds may be spent.

5. The municipality shall require each nonprofit charitable or civic organization receiving financial assistance from the municipality to file with the disbursing officials of the municipality a copy of an annual report of its business affairs and transactions and the proposed use of the contributed funds.

Management's Response: We agree and will correct within the next year.

The City of Ramer's response to the findings identified in our audit is described above. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and government regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

PRIOR YEAR DISPOSITIONS

2004 – 12 PAYROLL TAXES - corrected
2011 – 01 LACK OF SUPPORT FOR FUNDRAISER - corrected
2011 – 02 BIDS – corrected
2011 – 03 QUESTIONED COSTS - corrected

Godwin & Associates, PLLC

February 12, 2013