

CITY OF COLLINWOOD, TENNESSEE
FINANCIAL STATEMENTS
AND AUDITOR'S REPORTS
FOR THE YEAR ENDED JUNE 30, 2012

CITY OF COLLINWOOD, TENNESSEE
Financial Statements and Auditor's Reports
June 30, 2012

TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION:	
List of Principal Officials	4
FINANCIAL SECTION:	
Independent Auditor's Report on Financial Statements	6-7
Required Supplementary Information:	
Management's Discussion and Analysis	8-11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14-15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget & Actual - General Fund	18a - 18d
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget & Actual - Street Fund	18e
Statement of Net Assets - Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	20
Combined Statement of Cash Flows - Proprietary Funds	21
Notes to the Basic Financial Statements	23-41
Other Supplementary Information:	
Balance Sheet - Nonmajor Governmental Funds	43
Statement of Revenues, Expenditures, and Changes in Fund Balance- Nonmajor Governmental Funds	44
Budgetary Comparison Schedule - Nonmajor Governmental Fund - Sanitation	45
Budgetary Comparison Schedule - Nonmajor Governmental Fund - Drug	46
Budgetary Comparison Schedule - Nonmajor Governmental Fund - Beautification Board	47
Schedule of Federal and State Financial Assistance	48
Schedule of Interfund Transfers - All Funds	49
Schedule of Long-term Debt	50-51a
Schedule of Utility Rates and Customers	52
Schedule of Changes in Property Taxes Receivable	53
Schedule of Property Tax Rates, Assessments, and Levies - Last ten years	54
AWWA Water Audit Reporting Worksheet	55
Internal Control and Compliance	57-62

INTRODUCTORY SECTION

CITY OF COLLINWOOD, TENNESSEE
List of Principal Officials
June 30, 2012

Name	Title
Jasper Brewer	Mayor
Otha Smith	Vice-mayor
Dorothee McGrath	Commissioner
Danny Sandusky	Commissioner
Patricia Brown	Commissioner
Melissa Broome	City recorder
Gilda Collie	City manager

FINANCIAL SECTION

RONNIE L. CLAY
Certified Public Accountant
740 Johnson's Crossroad
Jacks Creek, TN 38347

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Mayor and Board of Commissioners
City of Collinwood
Collinwood, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Collinwood, 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 of Collinwood, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Collinwood, Tennessee, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, and the respective budgetary comparisons for the general fund and the street fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2014, on our consideration of the City of Collinwood, Tennessee's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Collinwood, Tennessee's basic financial statements. The introductory section and other supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in these sections, except for those statements or schedules marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ronnie L Clay

Jacks Creek, TN
April 29, 2014

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLLINWOOD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2012

Our discussion and analysis of the City of Collinwood's financial performance provides an overview of the City's financial activities for the year ended June 30, 2012. Please read it in conjunction with the City's financial statements, which begin on page 13.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities, pages 13-15, 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 17. 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. One of the most important questions asked about the City's finances is, "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 financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, 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 police, fire, general administration, streets, sanitation and parks. Property taxes, sales taxes, franchise fees, fines, wholesale beer taxes, business taxes, local, state and federal grants, other taxes and intergovernmental revenue, and user fees finance most of these activities.

Business-type activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, gas, and sewer systems are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page 9. The fund financial statements begin on page 17 and provide detailed information about the most significant funds - not the City as a whole. 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 a 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 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.

**CITY OF COLLINWOOD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2012**

THE CITY AS A WHOLE

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

	Govern. Activities 6/30/2011	Bus.-type Activities 6/30/2011	Total 6/30/2011	Govern. Activities 6/30/2012	Bus.-type Activities 6/30/2012	Total 6/30/2012
Beginning net assets	1,052,119.76	2,817,686.50	3,869,806.26	1,084,430.62	2,849,707.03	3,934,137.65
Increase (decrease) in net assets	32,310.86	32,020.53	64,331.39	-28,758.65	-90,319.59	-119,078.24
Ending net assets	<u>1,084,430.62</u>	<u>2,849,707.03</u>	<u>3,934,137.65</u>	<u>1,055,671.97</u>	<u>2,759,387.44</u>	<u>3,815,059.41</u>
Percentage Increase (decrease)	3.07%	1.14%	1.66%	-2.65%	-3.17%	-3.03%

Governmental Activities

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. Some of the individual line item revenues reported for each function are:

General government	General services, building permits, beer licenses, and miscellaneous
Police	Fines and forfeitures
Highways & Streets	State gasoline taxes
Sanitation	Garbage collection fees
Recreation	Swimming pool fees

All other governmental revenues are reported as general.

Business-type Activities

While the business-type activities in total show a net loss of \$(90,319.59), individually the water fund shows a net loss of \$(73,838.09), the gas fund shows a net loss of \$(27,218.45), and the sewer fund shows a net income of \$10,734.95.

THE CITY'S FUNDS

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

Revenues:	6/30/2012 Amount	Percent of Total	6/30/2011 Amount	Increase (Decrease) from 6/30/11	Percent Increase (Decrease)
Taxes	363,032.42	59.98%	375,776.24	(12,743.82)	-3.39%
Intergovernmental	124,285.97	20.53%	143,822.83	(19,536.86)	-13.58%
Charges for service	50,932.74	8.41%	56,642.54	(5,709.80)	-10.08%
Fines and forfeits	4,945.15	0.82%	4,928.15	17.00	0.34%
Miscellaneous	62,100.39	10.26%	39,432.72	22,667.67	57.48%
Total revenues	<u>\$605,296.67</u>	<u>100.00%</u>	<u>\$620,602.28</u>	<u>(15,305.61)</u>	<u>-2.47%</u>

CITY OF COLLINWOOD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2012

Expenditures:	6/30/2012 Amount	Percent of Total	6/30/2011 Amount	Increase (Decrease) from 6/30/11	Percent Increase (Decrease)
General government	248,453.96	39.09%	273,220.61	-24,766.65	-9.06%
Police	203,955.48	32.09%	155,326.48	48,629.00	31.31%
Fire	28,159.70	4.43%	24,222.58	3,937.12	16.25%
Streets	39,885.18	6.28%	47,543.86	-7,658.68	-16.11%
Sanitation	47,423.08	7.46%	72,378.92	-24,955.84	-34.48%
Recreation	34,201.95	5.38%	40,533.52	-6,331.57	-15.62%
City beautification	33,467.15	5.27%	21,726.59	11,740.56	54.04%
	<u>635,546.50</u>	<u>100.00%</u>	<u>634,952.56</u>	<u>593.94</u>	<u>0.09%</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues in total were under budget by \$35,183.82.

Expenditures in total were \$64,893.82 under budget; however, many line items were over budget. The net result was a decrease in fund balance of \$29,710.00 less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets:

The City had \$4,356,133.12 invested in capital assets at June 30, 2012. This represents a decrease of \$138,351.33 from last year, resulting from capital asset acquisitions of \$79,269.08, less depreciation expense of \$217,620.41.

	Governmental Activities		Business-type Activities		Totals	
	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2012</u>
Land	298,518.17	298,518.17	27,882.37	27,882.34	326,200.54	326,200.51
Buildings	303,199.34	293,911.75			303,199.34	293,911.75
Improvements	193,042.93	186,642.16			193,042.93	186,642.16
Furniture & fixtures	0.00	0.00			0.00	0.00
Machinery & equipment	66,047.87	76,817.41			66,047.87	76,817.41
Utility plant & equipment			3,605,993.80	3,472,761.29	3,605,993.80	3,472,761.29
Totals	<u>860,808.31</u>	<u>855,889.49</u>	<u>3,633,876.17</u>	<u>3,500,443.63</u>	<u>4,494,484.48</u>	<u>4,358,133.12</u>

Debt:

The City had \$1,096,607.65 outstanding bonds and notes payable at June 30, 2012, compared to \$1,267,939.65 last year. This is a decrease of 13.52% as shown in the following table.

	Governmental Activities		Business-type Activities		Totals	
	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2012</u>
Notes & Bonds Payable	101,042.97	94,432.97	1,166,896.68	1,002,174.68	1,267,939.65	1,096,607.65

The only new borrowing this year was a loan from Bank of Waynesboro, in the amount of \$18,290, for the purchase of a 2011 Nissan Pathfinder for the police department.

**CITY OF COLLINWOOD, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2012**

CHANGE IN UTILITY RATES

There were no changes in utility rates this year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 questions about this report or need additional financial information, contact the city hall at P. O. Box 98, Collinwood, TN 38450.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	139,233.20	81,561.80	220,795.00
Certificates of deposit	77,400.61	246,315.81	323,716.42
Accounts receivable, net		108,240.51	108,240.51
Property taxes receivable, net	304,018.99		304,018.99
Internal balances	71,655.27	(71,655.27)	0.00
Due from other governments	20,121.64		20,121.64
Prepaid expenses			0.00
Grants receivable			0.00
Other receivables	63.59	422.81	486.40
Total current assets	612,493.30	364,885.66	977,378.96
Noncurrent Assets:			
Land	298,518.17	27,682.34	326,200.51
Construction in progress		31,819.50	31,819.50
Capital assets being depreciated, net	557,171.32	3,440,941.79	3,998,113.11
Total noncurrent assets	855,689.49	3,500,443.63	4,356,133.12
Total Assets	1,468,182.79	3,865,329.29	5,333,512.08
LIABILITIES			
Current Liabilities:			
Accounts payable	7,114.04	12,437.85	19,551.89
Accrued expenses	1,704.29	625.00	2,329.29
Deferred revenue	308,754.41		308,754.41
Due to other governments	505.11	6,183.11	6,688.22
Current portion of long-term debt	39,143.43	173,095.89	212,239.32
Total current liabilities	357,221.28	192,341.85	549,563.13
Noncurrent Liabilities:			
Notes & bonds payable, due in more than one year	55,289.54	829,078.79	884,368.33
Customer deposits		84,521.21	84,521.21
Total noncurrent liabilities	55,289.54	913,600.00	968,889.54
Total Liabilities	412,510.82	1,105,941.85	1,518,452.67
NET ASSETS			
Invested in capital assets, net of related debt	761,256.52	2,498,268.95	3,259,525.47
Restricted: State street-aid fund	30,693.64		30,693.64
Drug fund	5,000.61		5,000.61
Unrestricted	258,721.20	261,118.49	524,840.30
Total Net Assets	1,055,671.97	2,759,387.44	3,815,059.41

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

**CITY OF COLLINWOOD, TENNESSEE
GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants & Contrib.	Capital Grants & Contrib.	
Governmental activities:					
General government	235,526.87	260.00			(235,266.87)
Public safety:					
Police	188,125.35	4,945.15			(183,180.20)
Fire	19,448.57				(19,448.57)
Total public safety	207,573.92	4,945.15	0.00	0.00	(202,628.77)
Public works:					
Highways & streets	49,909.58		25,339.36		(24,570.22)
Sanitation	52,871.45	49,554.74			(3,316.71)
Total public works	102,781.03	49,554.74	25,339.36	0.00	(27,886.93)
Recreation	40,057.59	1,118.00			(38,939.59)
City beautification	26,430.89				(26,430.89)
Interest on long-term debt	3,395.02				(3,395.02)
Total governmental activities	615,765.32	55,877.89	25,339.36	0.00	(534,548.07)
Business-type activities:					
Water	271,535.33	195,927.64			(75,607.69)
Gas	244,535.48	213,260.10			(31,275.38)
Sewer	118,114.10	128,709.78			10,595.68
Total business-type activities	634,184.91	537,897.52	0.00	0.00	(96,287.39)
Total	1,249,950.23	593,775.41	25,339.36	0.00	(630,835.46)

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

**CITY OF COLLINWOOD, TENNESSEE
GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012
(CONTINUED)**

Changes in Net Assets:

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	(534,548.07)	(96,287.39)	(630,835.46)
General revenues:			
Taxes:			
Property taxes	241,822.64		241,822.64
Interest & penalty on prop. tax	1,090.08		1,090.08
Wholesale beer tax	14,398.53		14,398.53
Business taxes	10,381.09		10,381.09
Franchise taxes	1,707.94		1,707.94
Local sales taxes	93,632.14		93,632.14
Intergovernmental			
TVA in lieu of taxes	11,345.62		11,345.62
State sales taxes	66,463.23		66,463.23
State telecom. Tax	54.48		54.48
State income taxes	1,642.02		1,642.02
State beer tax	482.04		482.04
City street & transportation	2,030.99		2,030.99
State grants	1,800.00		1,800.00
Corp. excise taxes	15,128.23		15,128.23
Special events & donations	29,251.43		29,251.43
Investment income	2,235.13	4,986.38	7,221.51
Miscellaneous	1,976.23	981.42	2,957.65
Insurance recoveries			0.00
Sale of assets	10,347.60		10,347.60
Total general revenues	505,789.42	5,967.80	511,757.22
Change in net assets	(28,758.65)	(90,319.59)	(119,078.24)
Net assets, beginning	1,084,430.62	2,849,707.03	3,934,137.65
Net assets, ending	1,055,671.97	2,759,387.44	3,815,059.41

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

FUND FINANCIAL STATEMENTS

CITY OF COLLINWOOD, TENNESSEE
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	91,012.77	19,865.48	28,354.95	139,233.20
Certificates of deposit	77,400.61			77,400.61
Property taxes receivable, net	304,018.99			304,018.99
Due from other funds	87,888.49	10,266.31	52,485.17	150,639.97
Due from other governments	17,921.86	2,199.78		20,121.64
Accrued interest receivable	63.59			63.59
Prepaid expenses				0.00
Total Assets	578,306.31	32,331.57	80,840.12	691,478.00
LIABILITIES				
Accounts payable	2,356.76	1,334.03	3,423.25	7,114.04
Accrued expenses	1,704.29			1,704.29
Due to other funds	76,280.80	303.90	2,400.00	78,984.70
Deferred revenue	308,754.41			308,754.41
Due to other governments	505.11			505.11
Total Liabilities	389,601.37	1,637.93	5,823.25	397,062.55
FUND BALANCES				
Nonspendable				
Restricted		30,693.64	5,000.61	35,694.25
Committed				0.00
Assigned			70,016.26	70,016.26
Unassigned	188,704.94			188,704.94
Total Fund Balances	188,704.94	30,693.64	75,016.87	294,415.45
Total Liabilities and Fund Balances	578,306.31	32,331.57	80,840.12	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$952,180.57	855,689.49
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: Notes & bonds payable	(94,432.97)
Net assets of governmental activities	1,055,671.97

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

CITY OF COLLINWOOD, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012

	General Fund	Street Fund	Nonmajor Govt. Funds	Total Governmental Funds
REVENUES				
Taxes	363,032.42			363,032.42
Intergovernmental	98,946.61	25,339.36		124,285.97
Charges for Service	1,378.00		49,554.74	50,932.74
Fines and Forfeits	1,839.60		3,105.55	4,945.15
Miscellaneous	32,532.15	118.77	29,449.47	62,100.39
Total Revenues	497,728.78	25,458.13	62,109.76	605,296.67
EXPENDITURES				
Current:				
General government	224,066.46			224,066.46
Public Safety				
Police	191,863.06		11,515.90	203,378.96
Fire	27,228.70			27,228.70
Public Works				
Highways & Streets	20,879.59	19,005.59		39,885.18
Sanitation			45,023.08	45,023.08
Recreation	34,201.95			34,201.95
City Beautification			33,467.15	33,467.15
Debt Service:				
Principal	22,500.00		2,400.00	24,900.00
Interest	3,395.02			3,395.02
Capital Outlay				0.00
Total Expenditures	524,134.78	19,005.59	92,406.13	635,546.50
Revenues over (under) expenditures	(26,406.00)	6,452.54	(10,296.37)	(30,249.83)
OTHER FINANCING SOURCES (USES)				
Transfers in				0.00
Transfers out				0.00
Loan proceeds				0.00
Other				0.00
Total Other Financing Sources (Uses)	0.00	0.00	0.00	0.00
Net Change in Fund Balances	(26,406.00)	6,452.54	(10,296.37)	(30,249.83)
Fund balances, beginning	215,110.94	24,241.10	85,313.24	324,665.28
Fund Balances, ending	188,704.94	30,693.64	75,016.87	294,415.45
Reconciliation of the change in fund balances - total governmental funds, to the change in net assets of governmental activities:				
Net change in fund balances - total governmental funds				(30,249.83)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:				
Capital asset purchases capitalized				48,949.58
Depreciation expense				(54,068.40)
				(5,118.82)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:				
Principal paid on debt				24,900.00
Loan proceeds are an "Other Financing Source" in the governmental funds, but loan proceeds increase liabilities in the Statement of Net Assets:				
Loan proceeds				(18,290.00)
Change in Net Assets of Governmental Activities				(28,758.65)

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

CITY OF COLLINWOOD, TN
General Fund
Statement of Revenues, Expenditures, & Changes in Fund Balance, Budget & Actual
For the Year Ended June 30, 2012

	Budget Original	Budget Final	Actual	Variance with Final Budget
Revenues:				
Taxes:				
Real & Pers. Property Taxes	247,478.00	247,478.00	241,822.64	(5,655.36)
Interest & Penalty on Taxes	5,500.00	5,500.00	1,090.08	(4,409.92)
Wholesale Beer Tax	10,000.00	10,000.00	14,398.53	4,398.53
Business Taxes	10,641.00	10,641.00	10,381.09	(259.91)
Franchise Taxes	3,000.00	3,000.00	1,707.94	(1,292.06)
Local Sales Taxes	100,000.00	100,000.00	93,632.14	(6,367.86)
Other Taxes				0.00
Total Taxes	376,619.00	376,619.00	363,032.42	(13,586.58)
Intergovernmental:				
TVA Payments in lieu of taxes	12,000.00	12,000.00	11,345.62	(654.38)
State Sales Taxes	65,000.00	65,000.00	66,463.23	1,463.23
State Telecommunications Tax	80.00	80.00	54.48	(25.52)
State Income Taxes	1,200.00	1,200.00	1,642.02	442.02
State Beer Tax			482.04	482.04
State City Street & Transportation	2,170.00	2,170.00	2,030.99	(139.01)
State Grants	1,800.00	1,800.00	1,800.00	0.00
Corporate Excise Taxes	18,500.00	18,500.00	15,128.23	(3,371.77)
Total Intergovernmental	100,750.00	100,750.00	98,946.61	(1,803.39)
Licenses & Permits:				
Building & solicitation permits	400.00	400.00		(400.00)
Beer Licenses	200.00	200.00	200.00	0.00
Total Licenses & Permits	600.00	600.00	200.00	(400.00)
Charges for Services:				
General Services	800.00	800.00	20.00	(780.00)
Swimming Pool Fees	7,800.00	8,362.00	1,118.00	(7,244.00)
Park & Recreation Charges	2,600.00			0.00
Miscellaneous	144.00	144.00	40.00	(104.00)
Total Charges for Services	11,344.00	9,306.00	1,178.00	(8,128.00)
Fines & Forfeits:				
City Court Fines & Costs	4,800.00	4,800.00	1,839.60	(2,960.40)
Total Fines & Forfeits	4,800.00	4,800.00	1,839.60	(2,960.40)
Other:				
Interest Income	1,200.00	1,200.00	1,918.32	718.32
Miscellaneous			1,976.23	1,976.23
Insurance Recoveries	3,000.00	3,000.00		(3,000.00)
Note Proceeds		18,290.00	18,290.00	0.00
Operational Transfers In		8,000.00		(8,000.00)
Sale of assets		10,347.60	10,347.60	0.00
Total Other	4,200.00	40,837.60	32,532.15	(8,305.45)
Total Revenues	498,313.00	532,912.60	497,728.78	(35,183.82)

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

CITY OF COLLINWOOD, TN
General Fund
Statement of Revenues, Expenditures, & Changes in Fund Balance, Budget & Actual (cont'd)
For the Year Ended June 30, 2012

	Budget Original	Budget Final	Actual	Variance with Final Budget
Expenditures:				
General Government:				
Salaries	88,589.00	88,589.00	65,400.10	23,188.90
OASI	6,400.00	6,400.00	6,510.17	(110.17)
Hospital and Health Insurance	43,000.00	43,000.00	42,334.36	665.64
Retirement Plan Expense	6,793.00	6,793.00	17,555.23	(10,762.23)
Unemployment Insurance	450.00	450.00	433.64	16.36
City Commissioner Fees	6,000.00	6,000.00	5,900.00	100.00
Election Expense	3,000.00	3,000.00		3,000.00
Postage	350.00	350.00	830.94	(480.94)
Printing, Publications, etc.	1,100.00	1,100.00	1,160.73	(60.73)
Memberships, Registration Fees	3,500.00	3,500.00	3,357.00	143.00
Utility Services	10,000.00	10,000.00	11,941.37	(1,941.37)
Telephone	6,800.00	6,800.00	3,512.43	3,287.57
Medical			85.00	(85.00)
Legal Services	1,000.00	1,000.00	1,069.60	(69.60)
Accounting & Auditing	15,000.00	15,000.00	14,750.00	250.00
State Planning Office Services	7,000.00	7,000.00	494.72	6,505.28
Repairs & Maint.	5,100.00	5,100.00	1,161.11	3,938.89
Travel	2,500.00	2,500.00	1,109.49	1,390.51
Contract Services	14,880.00	14,880.00	7,176.14	7,703.86
Miscellaneous	9,226.00	9,226.00	1,702.90	7,523.10
Office Supplies	1,500.00	1,500.00	2,780.66	(1,280.66)
Small Equipment			4,052.13	(4,052.13)
Operating Supplies	9,200.00	9,200.00	5,332.27	3,867.73
Gas & Oil	700.00	700.00	1,073.47	(373.47)
Insurance	14,092.00	14,092.00	24,343.00	(10,251.00)
Debt Service				0.00
Bond Principal	15,500.00	15,500.00	6,500.00	9,000.00
Notes Principal	40,000.00	40,000.00	16,000.00	24,000.00
Bond Interest	3,585.00	3,585.00	1,887.50	1,697.50
Economic Development				0.00
Capital Outlay				0.00
Total General Government	315,265.00	315,265.00	248,453.96	66,811.04

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

CITY OF COLLINWOOD, TN
General Fund
Statement of Revenues, Expenditures, & Changes in Fund Balance, Budget & Actual (cont'd)
For the Year Ended June 30, 2012

	Budget Original	Budget Final	Actual	Variance with Final Budget
Public Safety:				
Police Dept.				
Salaries	108,558.00	108,558.00	110,679.37	(2,121.37)
OASI	8,000.00	8,000.00	8,719.42	(719.42)
Hospital and Health Insurance			14,024.14	(14,024.14)
Retirement Plan Expense	8,910.00	8,910.00	2,620.47	6,289.53
SUTA	700.00	700.00	449.42	250.58
Employee Education & Training			3,600.00	(3,600.00)
Court Costs	1,100.00	1,100.00	687.95	412.05
Postage				0.00
Radio and TV	1,600.00	1,600.00		1,600.00
Printing				0.00
Memberships	900.00	900.00	2,094.00	(1,194.00)
Utility Services	800.00	800.00	911.60	(111.60)
Telephone	500.00	500.00	1,499.00	(999.00)
Medical	200.00	200.00	10.00	190.00
Judges' Fees	3,600.00	3,600.00	3,356.25	243.75
Repairs & Maint.	6,000.00	6,000.00	5,497.36	502.64
Travel	1,000.00	1,000.00	401.50	598.50
Other Contractual Services	200.00	200.00	45.00	155.00
Miscellaneous	200.00	200.00		200.00
Office Supplies				0.00
Operating Supplies	2,000.00	2,000.00	2,794.77	(794.77)
Clothing & Uniforms	2,200.00	2,200.00	1,757.33	442.67
Gas, Oil, etc.	10,000.00	10,000.00	11,597.48	(1,597.48)
Insurance			2,403.00	(2,403.00)
Debt Service			576.52	(576.52)
Capital Outlay	7,882.00	26,290.00	18,715.00	7,575.00
Total Police Dept.	164,350.00	182,758.00	192,439.58	(9,681.58)
Fire Dept.				
Memberships, Registration fees	1,000.00	1,000.00	490.00	510.00
Utilities	3,500.00	3,500.00	4,545.73	(1,045.73)
Telephone	2,000.00	2,000.00	2,042.62	(42.62)
Repairs	1,500.00	1,500.00	3,026.69	(1,526.69)
Office	300.00	300.00	162.96	137.04
Operating Supplies	2,000.00	2,000.00	2,801.77	(801.77)
Gas, Oil, Diesel, Fuel, etc.	100.00	100.00	219.93	(119.93)
Insurance			1,939.00	(1,939.00)
Debt Service				0.00
Bond Principal	9,000.00	9,000.00		9,000.00
Bond Interest	800.00	800.00	931.00	(131.00)
Capital Outlay		10,347.60	12,000.00	(1,652.40)
Total Fire Dept.	20,200.00	30,547.60	28,159.70	2,387.90
Total Public Safety	184,550.00	213,305.60	220,599.28	(7,293.68)

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

CITY OF COLLINWOOD, TN
General Fund
Statement of Revenues, Expenditures, & Changes in Fund Balance, Budget & Actual (cont'd)
For the Year Ended June 30, 2012

	Budget Original	Budget Final	Actual	Variance with Final Budget
Public Works:				
Highways & Streets				
Repairs & Maint.	2,500.00	2,500.00	4,012.36	(1,512.36)
Operating Supplies	4,000.00	4,000.00	1,867.38	2,132.62
Other Contractual Services	2,700.00	2,700.00	2,226.56	473.44
Miscellaneous	10,000.00	10,000.00	9,907.67	92.33
Gas & Oil	1,500.00	1,500.00	2,865.62	(1,365.62)
Capital Outlay				0.00
Total Highways & Streets	20,700.00	20,700.00	20,879.59	(179.59)
Recreation:				
Salaries	17,271.00	21,693.00	19,352.93	2,340.07
OASI	1,500.00	1,672.00	1,480.51	191.49
Utility Services	4,500.00	4,500.00	5,386.34	(886.34)
Operating Supplies	2,000.00	2,000.00	1,907.59	92.41
Recreational Supplies	2,500.00	2,500.00	841.50	1,658.50
Telephone	300.00	300.00	178.21	121.79
Medical	200.00	200.00		200.00
Repairs	2,000.00	5,830.00	3,948.81	1,881.19
Contractual Services			50.00	(50.00)
Miscellaneous	350.00	350.00	50.00	300.00
Memberships & Fees	380.00	380.00	728.24	(348.24)
Unemployment Insurance	395.00	333.00	277.82	55.18
Capital Outlay				0.00
Total Recreation	31,396.00	39,758.00	34,201.95	5,556.05
Total Expenditures	551,911.00	589,028.60	524,134.78	64,893.82
Revenues Over (Under) Expenditures	(53,598.00)	(56,116.00)	(26,406.00)	29,710.00
Other Financing Sources (Uses):				
Loan Proceeds				0.00
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(53,598.00)	(56,116.00)	(26,406.00)	29,710.00
Fund Balance, June 30, 2011			215,110.94	215,110.94
Fund Balance, June 30, 2012	(53,598.00)	(56,116.00)	188,704.94	244,820.94

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

CITY OF COLLINWOOD, TN
State Street Aid Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget & Actual
For the Year Ended June 30, 2012

	Budget Original	Budget Final	Actual	Variance with Final Budget
Revenues:				
Intergovernmental				
State Gas & Motor Fuel Tax	26,445.00	26,445.00	17,355.14	(9,089.86)
Gas 1989			2,795.56	2,795.56
Gas 3 cent			5,188.66	5,188.66
Other				
Interest Income	50.00	50.00	118.77	68.77
Total Revenues	26,495.00	26,495.00	25,458.13	(1,036.87)
Expenditures:				
Highways & Streets				
Utility Services	15,000.00	15,000.00	15,124.76	(124.76)
Street Maint.			1,066.77	(1,066.77)
Operating Supplies	3,000.00	3,000.00	2,814.06	185.94
Capital outlay	8,495.00	8,495.00		8,495.00
Total Expenditures	26,495.00	26,495.00	19,005.59	7,489.41
Revenues Over (Under) Expend.			6,452.54	6,452.54
Fund Balance, 6-30-11	24,241.10	24,241.10	24,241.10	
Fund Balance, 6-30-12	24,241.10	24,241.10	30,693.64	6,452.54

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

CITY OF COLLINWOOD, TN
Statement of Net Assets - Proprietary Funds
June 30, 2012

ASSETS	Water Fund	Gas Fund	Sewer Fund	Totals
Current Assets:				
Cash & Cash Equivalents	57,807.43	14,188.33	9,566.04	81,561.80
Certificates of Deposit	72,245.69	174,070.12		246,315.81
Accounts Receivable, Net	108,240.51			108,240.51
Due from Other Funds	149,827.30	109,708.57		259,535.87
Other Receivables	329.06	93.75		422.81
Total Current Assets	388,449.99	298,060.77	9,566.04	696,076.80
Utility Plant:				
Utility Plant in Service	3,079,387.87	617,012.14	2,834,972.63	6,531,372.64
Total Utility Plant, excluding land	3,079,387.87	617,012.14	2,834,972.63	6,531,372.64
Less Accumulated Depreciation	(1,573,869.90)	(382,132.28)	(1,102,589.17)	(3,058,611.35)
Net Utility Plant, excluding land	1,505,497.97	234,879.86	1,732,383.46	3,472,761.29
Add Land	3,096.88	3,046.87	21,538.59	27,682.34
Net Utility Plant	1,508,594.85	237,926.73	1,753,922.05	3,500,443.63
Total Assets	1,897,044.84	535,987.50	1,763,488.09	4,196,520.43
LIABILITIES				
Current Liabilities:				
Accounts Payable	5,594.02	1,983.50	4,860.33	12,437.85
Current Portion of Long-term Debt	36,737.73	14,767.16	121,591.00	173,095.89
Due to Other Funds	125,552.08	52,325.27	153,313.79	331,191.14
Due to Other Governments	6,183.11			6,183.11
Accrued Interest Payable	625.00			625.00
Total Current Liabilities	174,691.94	69,075.93	279,765.12	523,532.99
Noncurrent Liabilities:				
Bonds Payable	25,000.00			25,000.00
Notes Payable	177,117.73	14,767.16	785,289.79	977,174.68
Less Current Portion of L-T Debt	(36,737.73)	(14,767.16)	(121,591.00)	(173,095.89)
Customer Deposits	22,852.41	20,849.18	40,819.62	84,521.21
Total Noncurrent Liabilities	188,232.41	20,849.18	704,518.41	913,600.00
Total Liabilities	362,924.35	89,925.11	984,283.53	1,437,132.99
NET ASSETS				
Invested in capital assets, net of related debt	1,306,477.12	223,159.57	968,632.26	2,498,268.95
Restricted	0.00	0.00	0.00	0.00
Unrestricted	227,643.37	222,902.82	(189,427.70)	261,118.49
Total Net Assets	1,534,120.49	446,062.39	779,204.56	2,759,387.44

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

CITY OF COLLINWOOD, TENNESSEE
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Water Fund	Gas Fund	Sewer Fund	Totals
Operating revenues:				
Charges for services	272,424.69	213,260.10	128,709.78	614,394.57
Other		981.42		981.42
Total Operating Revenues	272,424.69	214,241.52	128,709.78	615,375.99
Operating expenses:				
Salaries	66,665.58	72,998.31		139,663.89
OASI	4,319.60	4,804.05		9,123.65
Hospital and Health Insurance	15,001.32	28,368.67		43,369.99
Postage	2,847.55			2,847.55
Publications	419.37	17.35		436.72
Memberships	2,440.10	1,753.84	2,830.00	7,023.94
Utility service	37,212.15	2,516.08	9,442.17	49,170.40
Telephone	1,485.30	720.00		2,205.30
Professional services			5,336.00	5,336.00
Repairs and maintenance	5,342.38	4,517.04	7,522.77	17,382.19
Travel	584.35	331.93		916.28
Office supplies	999.51	192.56		1,192.07
Operating supplies	33,222.44	4,688.22	4,393.53	42,304.19
Chemical, Lab, Medical	2,835.65	266.00		3,101.65
Gas, oil, etc.	2,444.15	2,993.40		5,437.55
Insurance	9,394.00	2,634.00		12,028.00
Other contractual services	2,568.79	11,136.94	1,530.00	15,235.73
Miscellaneous	19.30	324.72		344.02
Retirement expense	1,973.69	2,191.14		4,164.83
Unemployment insurance	174.67	190.69		365.36
Depreciation	77,498.43	13,883.95	72,169.63	163,552.01
Cash shortage (see note #13)	76,497.05			76,497.05
Natural gas purchases		90,006.59		90,006.59
Total operating expense	343,945.38	244,535.48	103,224.10	691,704.96
Net operating income (loss)	(71,520.69)	(30,293.96)	25,485.68	(76,328.97)
Non-operating revenue (expense):				
Interest and other income	1,769.60	3,077.51	139.27	4,986.38
Insurance recoveries				0.00
Interest expense	(4,087.00)		(14,890.00)	(18,977.00)
Total non-operating revenue (expense)	(2,317.40)	3,077.51	(14,750.73)	(13,990.62)
Net income before contributions and transfers	(73,838.09)	(27,216.45)	10,734.95	(90,319.59)
State and federal grants				0.00
Changes in fund net assets	(73,838.09)	(27,216.45)	10,734.95	(90,319.59)
Net assets, beginning of year	1,607,958.58	473,278.84	768,489.61	2,849,707.03
Net assets, end of year	1,534,120.49	446,062.39	779,204.56	2,759,387.44

CITY OF COLLINWOOD, TN
Combined Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	<u>Water Fund</u>	<u>Gas Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Cash flows from oper. activities:				
Cash received from customers	165,376.58	214,241.52	128,709.78	508,327.88
Cash payments for goods & serv.	(122,231.84)	(161,290.44)	(29,811.19)	(313,333.47)
Cash payments to employees	(66,665.58)	(72,998.31)		(139,663.89)
Cash refunds to customers	(1,130.76)	(900.00)	(465.38)	(2,496.14)
Cash payments to other funds	(7,676.53)	(90,778.04)		(98,454.57)
Cash received from other funds	69,060.12		45,369.56	114,429.68
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Net Cash Provided by Oper. Act.	36,731.99	(111,725.27)	143,802.77	68,809.49
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Cash flows from capital & related financing activities:				
Acquisition & construction of capital assets	(30,319.50)			(30,319.50)
Principal paid on revenue bonds	(5,000.00)			(5,000.00)
Interest paid on bonds & notes	(4,212.00)		(14,890.00)	(19,102.00)
Principal payments on notes pay.	(28,236.00)	(12,000.00)	(119,488.00)	(159,722.00)
Insurance recoveries				
State and federal grants				
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash provided (used) by capital & related fin. activities	(87,767.50)	(12,000.00)	(134,378.00)	(214,143.50)
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Cash flows from investing act.:				
Interest on investments	1,894.40	3,088.34	139.27	5,122.01
(Increase) decrease in investments	(1,071.52)	(2,306.54)		(3,378.06)
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Net cash provided (used) by investing activities	822.88	781.80	139.27	1,743.95
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Net Increase (decrease) in cash and cash equivalents	(30,212.63)	(122,943.47)	9,566.04	(143,590.06)
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Cash & cash equivalents, 6-30-11	88,020.06	137,131.80		225,151.86
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Cash & cash equivalents, 6-30-12	57,807.43	14,188.33	9,566.04	81,561.80
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Cash provided by (used for) operating activities:				
Operating income (loss)	(71,520.69)	(30,293.96)	25,485.68	(76,328.97)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	77,498.43	13,883.95	72,169.63	183,552.01
Change in current assets & liab.:				
(Incr.) decr. in accts. receivable	(30,551.06)			(30,551.06)
(Incr.) decr. in due from other funds	(7,876.53)	(57,357.59)		(65,034.12)
Incr. (decr.) in accts. payable	(2,776.31)	(3,637.22)	1,243.28	(5,170.25)
Incr. (decr.) in customer deposit	(1,130.76)	(900.00)	(465.38)	(2,496.14)
Incr. (decr.) in due to other funds	69,060.12	(33,420.45)	45,369.56	81,009.23
Incr. (decr.) in due to other governments	3,828.79			3,828.79
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Net cash provided (used) by operating activities	36,731.99	(111,725.27)	143,802.77	68,809.49
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The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF COLLINWOOD, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in conformity with, and the accounting policies of the City of Collinwood conform to, generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). The government-wide financial statements and enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and APB opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies.

A. Financial reporting entity

The financial statements of the city consist only of the funds of the city. The city has no financial accountability for any other governmental entity since no other entities are considered to be controlled by or dependent on the city. The criteria used to determine the scope of the reporting entity includes the following: financial inter-dependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service, and special financing relationships.

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. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Program revenues in the Statement of Activities include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities, and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. 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. The city's 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.

CITY OF COLLINWOOD, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

B. Basis of presentation (continued)

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the city and 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

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Proprietary Funds

Enterprise Funds

Enterprise funds are 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. The reporting entity includes the water, gas, and sewer funds.

Major and Non-major Funds

The funds are further classified as major or non-major as follows:

Fund	Brief Description
Major: General	See above for description
Special Revenue Fund: State Street Aid	Accounts for revenues and expenditures of street construction and maintenance.
Proprietary Funds: Water, Gas, & Sewer	Account for activities of the public trust in providing water, gas and sewer services to the public.

CITY OF COLLINWOOD, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Nonmajor:

Special Revenue Funds:

Sanitation	Accounts for activities of the public trust in providing sanitation services to the public.
Drug Fund	Accounts for activities by the police department related to illegal drug activity.
City Beautification Fund	Accounts for special events and donations used to finance various projects to beautify the city.

C. Measurement focus and basis of accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

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 fund utilizes 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 concurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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.

CITY OF COLLINWOOD, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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.

D. Encumbrances

The city does not record encumbrances in the accounting records.

E. Assets, Liabilities, and Equity

Cash and Investments

For purposes of the Statement of Net Assets and the proprietary fund Statement of Cash Flows, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit with an original maturity of three months or less.

The city's investments consist entirely of certificates of deposit with original maturities of more than three months. Certificates of deposit are reported at cost which reasonably approximates fair value.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. These amounts are classified as "due to and from other funds".

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. Construction interest expense is not capitalized.

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. There were no additions to infrastructure assets in the current year. The city has elected not to retroactively report infrastructure assets.

CITY OF COLLINWOOD, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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:

Buildings	20-40 years
Improvements	20-40 years
Machinery & Equipment	5-10 years
Furniture & Fixtures	5-10 years
Utility System	15-40 years
Infrastructure	40 years

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 long-term debt consists primarily of notes and bonds payable.

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 payment of principle and interest reported as expenditures. The accounting for proprietary fund long-term debt 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 or notes that are attributable to the acquisition, construction, or improvement 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".

CITY OF COLLINWOOD, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Fund Statements

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

F. Compensated Absences

Vacation and sick days are either taken or lost. They do not accumulate and carry over from one year to the next.

G. Concentrations

The city operates exclusively within the geographic area of the city, and relies heavily on property taxes, sales taxes, and intergovernmental revenue.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. 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.

CITY OF COLLINWOOD, TENNESSEE
Notes to the Financial Statements
June 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits with the Bank of Waynesboro exceeded the FDIC limit by \$46,594.83, at June 30, 2012; however, these funds were collateralized by securities held by a third party in the city's name. The city has no policy regarding custodial credit risk.

Investments

The City's investments at June 30, 2012, consisted entirely of certificates of deposit as listed in the following schedule. It has been the policy of the City to only invest in certificates of deposit and/or savings accounts with local banks.

SCHEDULE OF INVESTMENTS - CERTIFICATES OF DEPOSIT

	Amount	Cert. #	Rate	Maturity
Governmental activities:				
The Peoples Bank:				
General Fund	\$ 12,181.53	50141	1.00%	9/26/2012
General Fund	11,493.25	50283	0.90%	8/27/2012
Total Peoples Bank	\$ 23,674.78			
Bank of Waynesboro:				
General Fund	\$ 53,725.83	3021238	0.80%	5/7/2013
Total governmental activities	\$ 77,400.61			
Business-type activities:				
Bank of Waynesboro:				
Gas fund	50,508.26	13744	2.00%	6/3/2013
Wayne County Bank:				
Gas fund	55,045.88	29967	1.00%	11/2/2012
Gas fund	11,871.56	29865	0.75%	10/13/2012
Water fund	72,245.69	30562	1.25%	8/17/2012
Total Wayne County Bank	139,163.13			
The Peoples Bank:				
Gas fund	56,644.42	50419	0.90%	8/9/2012
Total business-type activities	246,315.81			
Total certificates of deposit	\$ 323,716.42			

These amounts do not include accrued interest, and are reported at cost which approximates market value.

CITY OF COLLINWOOD, TENNESSEE
Notes to the Financial Statements
June 30, 2012

NOTE 3: CAPITAL ASSETS

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

	Balance June 30, 2011	Additions	Disposals	Balance June 30, 2012
Governmental activities:				
Land	298,518.17			298,518.17
Buildings	383,327.04			383,327.04
Improvements	385,153.50	8,299.58		393,453.08
Furniture & Fixtures	1,704.45			1,704.45
Machinery & Equipment	690,217.32	40,650.00		730,867.32
Totals	1,758,920.48	48,949.58	0.00	1,807,870.06
Less accumulated depreciation:				
Buildings	(80,127.70)	(9,287.59)		(89,415.29)
Improvements	(192,110.57)	(14,700.35)		(206,810.92)
Furniture & Fixtures	(1,704.45)			(1,704.45)
Machinery & Equipment	(624,169.45)	(30,080.46)		(654,249.91)
Total accumulated depreciation	(898,112.17)	(54,068.40)	0.00	(952,180.57)
Governmental activities capital assets, net	860,808.31	(5,118.82)	0.00	855,689.49
Business-type activities:				
Land: Water	3,096.88			3,096.88
Gas	3,046.87			3,046.87
Sewer	21,538.59			21,538.59
Total Land	27,682.34	0.00	0.00	27,682.34
Utility plant & equipment: Water	3,049,068.37	30,319.50		3,079,387.87
Gas	617,012.14			617,012.14
Sewer	2,834,972.63			2,834,972.63
Total utility plant & equipment	6,501,053.14	30,319.50	0.00	6,531,372.64
Totals	6,528,735.48	30,319.50	0.00	6,559,054.98
Less accumulated depreciation:				
Utility plant & equipment: Water	(1,496,391.47)	(77,498.43)		(1,573,889.90)
Gas	(368,248.33)	(13,883.95)		(382,132.28)
Sewer	(1,030,419.54)	(72,169.63)		(1,102,589.17)
Total accumulated depreciation	(2,895,059.34)	(163,552.01)	0.00	(3,058,611.35)
Business-type capital assets, net	3,633,676.14	(133,232.51)	0.00	3,500,443.63

CITY OF COLLINWOOD, TENNESSEE
Notes to the Financial Statements
June 30, 2012

NOTE 3 - CAPITAL ASSETS (continued):

Depreciation expense was charged to governmental activities as follows for the year ended June 30, 2012:

General government	\$11,460.41
Public safety: Police	13,396.39
Fire	4,219.87
Public works: Streets	10,024.40
Recreation	5,855.64
Sanitation	7,848.37
Beautification Board fund	1,263.32
	<hr/>
	\$54,068.40
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CITY OF COLLINWOOD, TENNESSEE
Notes to the Financial Statements
June 30, 2012

NOTE 4 - INTERFUND TRANSACTIONS AND BALANCES:

Interfund receivables and payables:

	Due to						Totals
	General	Street	Nonmajor governmental (sanitation)	Water	Gas	Sewer	
Due from:							
General		10,266.31		18,464.49	47,550.00		76,280.80
Street	303.90						303.90
Nonmajor govt. (sanit.)	2,400.00						2,400.00
Water	15,859.32		52,485.17		66,807.59		135,152.08
Gas	64,325.27						64,325.27
Sewer	5,000.00			140,962.81	7,350.98		153,313.79
Totals	87,888.49	10,266.31	52,485.17	159,427.30	121,708.57	0.00	431,775.84

The amounts due from water to gas and sanitation represent charges for service billed through the water fund but not transferred at year end. The amount due from sewer to water represent overpayments by the water fund to the sewer fund for charges for service.

The remaining interfund balances represent the accumulation of amounts advanced from one fund to another for operating purposes.

Interfund transfers:

There were no interfund transfers this year.

CITY OF COLLINWOOD, TENNESSEE
Notes to the Financial Statements
June 30, 2012

NOTE 5 - LONG-TERM DEBT

The city's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. Governmental fund obligations are generally secured by property tax revenues or capital assets. Proprietary fund obligations are secured by capital assets or net revenues of the system and the full faith, credit, and resources of the city.

Long-term debt maturities for the next five years and in five-year increments thereafter:

Year end 6/30	Governmental activities		Business-type activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	45,046	3,063	173,096	16,309	218,142	19,372
2014	24,595	2,031	148,974	13,562	173,569	15,593
2015	14,792	917	151,471	10,765	166,263	11,682
2016	8,500	288	154,998	7,902	163,498	8,190
2017	1,500	38	111,054	5,411	112,554	5,449
2018-2022			262,582	8,749	262,582	8,749
Totals	94,433	6,337	1,002,175	62,698	1,096,608	69,035

CITY OF COLLINWOOD, TN
Notes to the Financial Statements
June 30, 2012

NOTE 5 - LONG-TERM DEBT (continued)

Summary of Long-term Debt Transactions for the year ended June 30, 2012:

	Interest Rates	Balance 6/30/2011	Additions	Retirements	Balance 6/30/2012	Ent. Fund Current
Notes & Bonds:						
Governmental activities:						
General fund:						
FmHA Rur. Dev. - Ind. Park	5%	9,000		1,500	7,500	
FmHA Rur. Dev. - Fire Hall	5%	32,000		5,000	27,000	
Bank of America - Fire Hall	4.90%	19,000			19,000	
Bank of Waynesboro - Police	3.25%		18,290		18,290	
Peoples Bank - tractor	4.50%			16,000	19,690	
Steve & Virginia Ray - Building	.00%	35,690		2,400	2,953	
Sanitation Fund		5,353				
Steve & Virginia Ray - Building	.00%					
Total Governmental Activities		101,043	18,290	24,900	94,433	

Business-type Activities:						
Enterprise Funds:						
Water Fund:						
Public Health Loan	1.55%	183,940		18,636	165,304	18,924
USDA Rural Dev.	5%	30,000		5,000	25,000	6,000
Steve & Virginia Ray - Building	.00%	21,414		9,600	11,814	11,814
Gas Fund:						
Steve & Virginia Ray - Building	.00%	26,767		12,000	14,767	14,767
Sewer Fund:						
TN Div. of Bond Finance	1.85%	479,946		45,338	434,608	46,183
TN Div. of Bond Finance	1.70%	424,830		74,148	350,682	75,408
Total Business-type Activities		1,166,897		164,722	1,002,175	173,096
Total Govt. & Bus.-type Activities		1,267,940	18,290	189,622	1,096,608	173,096

CITY OF COLLINWOOD, TENNESSEE
Notes to the Financial Statements
June 30, 2012

NOTE 6 - SEGMENT REPORTING FOR ENTERPRISE FUNDS:

The City maintains three enterprise funds which provide water, sewer, and gas services.

Condensed statement of net assets:

	Water	Gas	Sewer	Totals
Assets:				
Current assets:				
Due from other funds	149,827.30	109,708.57		259,535.87
Other current assets	238,622.69	188,352.20	9,566.04	436,540.93
Total current assets	388,449.99	298,060.77	9,566.04	696,076.80
Capital assets:				
Land & Util. Plant (net)	1,508,594.85	237,926.73	1,753,922.05	3,500,443.63
Total assets	1,897,044.84	535,987.50	1,763,488.09	4,196,520.43
Liabilities:				
Current liabilities:				
Due to other funds	125,552.08	52,325.27	153,313.79	331,191.14
Other current liabilities	49,139.86	16,750.66	126,451.33	192,341.85
Total current liabilities	174,691.94	69,075.93	279,765.12	523,532.99
Noncurrent liabilities	188,232.41	20,849.18	704,518.41	913,600.00
Total liabilities	362,924.35	89,925.11	984,283.53	1,437,132.99
Net assets:				
Invested in capital assets, net of related debt	1,306,477.12	223,159.57	968,632.26	2,498,268.95
Restricted				0.00
Unrestricted	227,643.37	222,902.82	(189,427.70)	261,118.49
Total net assets	1,534,120.49	446,062.39	779,204.56	2,759,387.44

CITY OF COLLINWOOD, TENNESSEE
Notes to the Financial Statements
June 30, 2012

NOTE 6 - SEGMENT REPORTING FOR ENTERPRISE FUNDS (CONT'D):

**Condensed statement of revenues, expenses,
and changes in net assets:**

	Water	Gas	Sewer	Totals
Operating revenues:				
Charges for service	195,927.64	213,260.10	128,709.78	537,897.52
Other		981.42		981.42
Total operating revenue	195,927.64	214,241.52	128,709.78	538,878.94
Operating expenses:				
Depreciation	77,498.43	13,883.95	72,169.63	163,552.01
Other	189,949.90	230,651.53	31,054.47	451,655.90
Total operating expenses	267,448.33	244,535.48	103,224.10	615,207.91
Operating income (loss)	(71,520.69)	(30,293.96)	25,485.68	(76,328.97)
Non-operating revenue (expenses):				
Interest income	1,769.60	3,077.51	139.27	4,986.38
Interest expense	(4,087.00)		(14,890.00)	(18,977.00)
Insurance recoveries				0.00
Total non-operating revenue (expenses)	(2,317.40)	3,077.51	(14,750.73)	(13,990.62)
Capital contributions				0.00
Transfers in				0.00
Transfers out				0.00
Change in net assets	(73,838.09)	(27,216.45)	10,734.95	(90,319.59)
Beginning net assets	1,607,958.58	473,278.84	768,469.61	2,849,707.03
Ending net assets	1,534,120.49	446,062.39	779,204.56	2,759,387.44

Condensed statement of cash flows:

	Water	Gas	Sewer	Totals
Net cash provided (used) by:				
Operating activities	36,731.99	(111,725.27)	143,802.77	68,809.49
Capital and related financing activities	(67,767.50)	(12,000.00)	(134,376.00)	(214,143.50)
Investing activities	822.88	781.80	139.27	1,743.95
Net increase (decrease) in cash and cash equivalents	(30,212.63)	(122,943.47)	9,566.04	(143,590.06)
Beginning cash and cash equivalents	88,020.06	137,131.80	0.00	225,151.86
Ending cash and cash equivalents	57,807.43	14,188.33	9,566.04	81,561.80

CITY OF COLLINWOOD, TENNESSEE
Notes to the Financial Statements
June 30, 2012

NOTE 7 - RETIREMENT PLAN

See following two pages.

Plan Description

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

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

Funding Policy

COLLINWOOD requires employees to contribute 5.0 percent of earnable compensation.

COLLINWOOD is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 8.23% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for COLLINWOOD is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2012, COLLINWOOD's annual pension cost of \$24,352 to TCRS was equal to COLLINWOOD's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. COLLINWOOD'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 14 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$24,352	100.00%	\$0.00
June 30, 2011	\$25,200	100.00%	\$0.00
June 30, 2010	\$23,036	100.00%	\$0.00

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 92.20 percent funded. The actuarial accrued liability for benefits was \$0.69 million, and the actuarial value of assets was \$0.64 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.05 million. The covered payroll (annual payroll of active employees covered by the plan) \$0.31 million, and the ratio of the UAAL to the covered payroll was 17.57 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.

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
July 1, 2011	\$636	\$690	\$54	92.20%	\$306	17.57%
July 1, 2009	\$473	\$532	\$59	88.91%	\$272	21.69%
July 1, 2007	\$409	\$473	\$64	86.47%	\$277	23.10%

Required Supplementary Information
Schedule of Funding Progress for COLLINWOOD 88760

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
July 1, 2011	\$636	\$690	\$54	92.20%	\$306	17.57%
July 1, 2009	\$473	\$532	\$59	88.91%	\$272	21.69%
July 1, 2007	\$409	\$473	\$64	86.47%	\$277	23.10%

CITY OF COLLINWOOD, TENNESSEE
Notes to the Financial Statements
June 30, 2012

NOTE 8 - COMMITMENTS

The city was obligated to HCG under a garbage collection contract at June 30, 2012. There were three months remaining on the contract at June 30, 2012. The monthly charge varies, but averages approximately \$3,700.00 per month.

NOTE 9 - PROPERTY TAXES

Property taxes are levied on October 1 each year, and are due by December 31. Accounts are turned over for collection when delinquent by one year.

NOTE 10 - RISK MANAGEMENT

Significant losses from property damage, personal injury, theft, and general liability are covered by commercial insurance. There have been no reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Risk management activities are not recorded in a separate fund.

NOTE 11 - LITIGATION

The city is involved in a lawsuit by Enviroworks, Inc., against the city in the amount of \$275,000 for wrongful termination of a contract to install a sewer system. The city has countersued Enviroworks, Inc., for \$300,000 for breach of contract. No court date has been set. The outcome is uncertain. No action was taken in the current year.

NOTE 12 - RESTRICTED NET ASSETS

The government-wide statement of net assets reports restricted net assets of \$30,693.64 in the street fund, and \$5,000.61 in the drug fund. These amounts represent state gasoline and motor fuel tax revenue, and court fines, respectively, which are restricted by enabling legislation, to be used for costs associated with construction and maintenance of city streets, and in the fight against illegal drugs, respectively.

NOTE 13 - CASH SHORTAGE IN WATER FUND

During the audit of the city's financial statements for the year ended 6-30-12, audit procedures revealed a cash shortage in the water fund of approximately \$76,500.00. Subsequent to 6/30/12, in fiscal year 2013, management discovered cash shortages in fiscal year 2013 and reported this to the Tennessee Comptroller of the Treasury. A special investigation was conducted for fiscal year 2013. The investigation revealed misappropriation of funds in the amount of at least \$94,426.00 as follows:

City utility cash collections	\$ 91,682.00
Swimming pool revenue	1,865.00
Property tax revenue	879.00
	<hr/>
	\$ 94,426.00

The city recorder, Melissa Broome, was indicted by the Wayne County Grand Jury on March 14, 2014, on one count of theft over \$60,000, according to the investigative audit report. No investigation was conducted for fiscal year 2012. The case against former city recorder, Sherry Gallien, was put on hold pending the outcome of the investigation of Melissa Broome.

CITY OF COLLINWOOD, TENNESSEE
Notes to the Financial Statements
June 30, 2012

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated transactions and events subsequent to June 30, 2012, and through April 29, 2014, which is the financial statement issuance date, and found nothing requiring disclosure, except as disclosed in Note 13.

NOTE 15 - BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for governmental funds, which consist of the general fund and special revenue funds. The board of commissioners approves the budgets annually, and annual appropriations lapse at the end of the fiscal year. The commissioners may appropriate additional funds for expenditures not anticipated at the time of budget adoption.

Budgetary highlights of the major governmental funds

Many line item expenditures in the general fund were over budget, but general fund expenditures in total were under budget by \$64,893.82.

Street fund expenditures were over budget on two line items, but under budget by \$7,489.41 in total.

OTHER SUPPLEMENTARY INFORMATION

CITY OF COLLINWOOD, TN
Balance Sheet
Nonmajor Governmental Funds
As of June 30, 2012

ASSETS	Sanitation Fund	Drug Fund	Beautification Board	Total Nonmajor Govt. Funds
Cash and Cash Equivalents	15,035.56	5,000.61	8,318.78	28,354.95
Due from Other Funds	52,485.17			52,485.17
Due from Other Govts.				
Total Assets	67,520.73	5,000.61	8,318.78	80,840.12
 LIABILITIES & FUND BALANCES				
Accrued Interest Payable				0.00
Accounts Payable	3,423.25			3,423.25
Due to Other Funds	2,400.00			2,400.00
Total Liabilities	5,823.25	0.00	0.00	5,823.25
Fund Balances:				
Unreserved	9,212.31	5,000.61	8,318.78	22,531.70
Reserved for due from other funds	52,485.17			52,485.17
Total Fund Balances	61,697.48	5,000.61	8,318.78	75,016.87
Total Liabilities & Fund Balances	67,520.73	5,000.61	8,318.78	80,840.12

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

CITY OF COLLINWOOD, TN
Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Sanitation Fund	Drug Fund	Beautification Board	Total Nonmajor Govt. Funds
Revenues:				
Fines and forfeitures				
Court fines and costs		3,105.55		3,105.55
Charges for Service				
Refuse Collection Charges	49,554.74			49,554.74
Other Revenue				
Special Events Revenue			29,251.43	29,251.43
Interest	133.80	64.24		198.04
Total other revenue	49,688.54	3,169.79	29,251.43	29,449.47
Total Revenue	49,688.54	3,169.79	29,251.43	82,109.76
Expenditures:				
Telephone		820.86		820.86
Travel		40.86		40.86
Operating supplies	916.08	200.00		1,116.08
Special events expense			24,588.57	24,588.57
Miscellaneous	30.00	189.18		219.18
Debt Service	2,400.00			2,400.00
Insurance			579.00	579.00
Capital outlay		9,935.00	8,299.58	18,234.58
Contractual Services	44,077.00	30.00		44,107.00
Salaries				0.00
Memberships, registrations		300.00		300.00
Total Expenditures	47,423.08	11,515.90	33,467.15	92,406.13
Revenues Over (Under) Expend.	2,265.46	(8,346.11)	(4,215.72)	(10,296.37)
Other Financing Sources (Uses):				
Loan Proceeds				0.00
Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,265.46	(8,346.11)	(4,215.72)	(10,296.37)
Fund Balance, 6-30-11	59,432.02	13,346.72	12,534.50	85,313.24
Fund Balance, 6-30-12	61,697.48	5,000.61	8,318.78	75,016.87

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

CITY OF COLLINWOOD, TN
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget & Actual
Nonmajor Governmental Fund (Sanitation Fund)
For the Year Ended June 30, 2012

	Budget Original	Budget Final	Actual	Variance with Final Budget
Revenues:				
Refuse Collection Charges	52,000.00	52,000.00	49,554.74	(2,445.26)
Miscellaneous	2,000.00	2,000.00		(2,000.00)
Interest Income	250.00	250.00	133.80	(116.20)
Total Revenue	54,250.00	54,250.00	49,688.54	(4,561.46)
Expenditures:				
Contractual Services	31,000.00	31,000.00	44,077.00	(13,077.00)
Miscellaneous			30.00	(30.00)
Operating Supplies	2,000.00	2,000.00	916.08	1,083.92
Accounting and auditing	6,850.00	6,850.00		6,850.00
Debt Service: Note Principal			2,400.00	(2,400.00)
Capital Outlay	14,400.00	14,400.00		14,400.00
Total Expenditures	54,250.00	54,250.00	47,423.08	6,826.92
Revenues Over (Under) Expend.	0.00	0.00	2,265.46	2,265.46
Other Financing Sources (Uses):				
Operating Transfers In (Out)				0.00
Loan Proceeds				0.00
Total Other Fin. Sources (Uses)	0.00	0.00	0.00	0.00
Revenues & Other Sources Over (Under) Expend. & Other Uses	0.00	0.00	2,265.46	2,265.46
Fund Balance, 6-30-11	59,432.02	59,432.02	59,432.02	0.00
Fund Balance, 6-30-12	59,432.02	59,432.02	61,697.48	2,265.46

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

CITY OF COLLINWOOD, TN
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget & Actual
Nonmajor Governmental Fund (Drug Fund)
For the Year Ended June 30, 2012

	Budget Original	Budget Final	Actual	Variance with Final Budget
Revenues:				
Drug related fines and forfeits				0.00
Court fines and costs	2,500.00	2,500.00	3,105.55	605.55
Other revenue	200.00	200.00		(200.00)
Interest Income	200.00	200.00	64.24	(135.76)
Total Revenue	2,900.00	2,900.00	3,169.79	269.79
Expenditures:				
Advertising			30.00	(30.00)
Telephone	1,800.00	1,800.00	820.86	979.14
Operating supplies	900.00	900.00	200.00	700.00
Memberships, registrations			300.00	(300.00)
Miscellaneous	200.00	200.00	189.18	10.82
Travel			40.86	
Capital Outlay	8,000.00	8,000.00	9,935.00	(1,935.00)
Total Expenditures	10,900.00	10,900.00	11,515.90	(575.04)
Revenues Over (Under) Expend.	(8,000.00)	(8,000.00)	(8,346.11)	(305.25)
Other Financing Sources (Uses):				
Operating Transfers In				0.00
Operating Transfers Out				0.00
Total Other Fin. Sources (Uses)	0.00	0.00	0.00	0.00
Revenues & Other Sources Over (Under) Expend. & Other Uses	(8,000.00)	(8,000.00)	(8,346.11)	(305.25)
Fund Balance, 6-30-11	13,346.72	13,346.72	13,346.72	0.00
Fund Balance, 6-30-12	5,346.72	5,346.72	5,000.61	(305.25)

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

CITY OF COLLINWOOD, TN
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget & Actual
Nonmajor Governmental Fund (Beautification Board)
For the Year Ended June 30, 2012

	Budget Original	Budget Final	Actual	Variance with Final Budget
Revenues:				
Special Events Revenue			29,251.43	29,251.43
Total Revenue	0.00	0.00	29,251.43	29,251.43
Expenditures:				
Operating Supplies/events exp.			24,588.57	(24,588.57)
Insurance			579.00	(579.00)
Capital Outlay			8,299.58	(8,299.58)
Total Expenditures	0.00	0.00	33,467.15	(33,467.15)
Revenues Over (Under) Expend.	0.00	0.00	(4,215.72)	(4,215.72)
Fund Balance, 6-30-11	12,534.50	12,534.50	12,534.50	0.00
Fund Balance, 6-30-12	12,534.50	12,534.50	8,318.78	(4,215.72)

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

CITY OF COLLINWOOD, TENNESSEE
Schedule of Federal and State Financial Assistance
June 30, 2012

CFDA #	Description	(Receivable) Payable 6/30/2011	Receipts	Expenditures	(Receivable) Payable 6/30/2012
Federal Financial Assistance:					
14.228	CDBG Watersource development #GC-09-28092-00	0.00	0.00	0.00	0.00
Total federal financial assistance		0.00	0.00	0.00	0.00
State Financial Assistance:					
	Police training grant	0.00	1,800.00	(1,800.00)	0.00
Total state financial assistance		0.00	1,800.00	(1,800.00)	0.00
Total federal & state		0.00	1,800.00	(1,800.00)	0.00

CITY OF COLLINWOOD, TENNESSEE
Schedule of Interfund Transfers - All Funds
June 30, 2012

There were no interfund transfers this year.

CITY OF COLLINWOOD, TN
Schedule of Long-term Debt
6-30-12

Governmental Activities

Notes & Bonds Outstanding for the year ending 6/30	General Fund		General Fund		General Fund		General Fund		General Fund		Sanitation Fund		Total Govt. Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	1,500	338	6,000	1,200	9,000	931	5,903	594	19,690	0	2,953	0	45,046	3,063
2014	1,500	263	7,000	875	10,000	490	6,095	403					24,595	2,031
2015	1,500	188	7,000	525			6,292	204					14,792	917
2016	1,500	113	7,000	175									8,500	288
2017	1,500	38											1,500	38
2018													0	0
2019													0	0
2020													0	0
2021													0	0
2022													0	0
	<u>7,500</u>	<u>940</u>	<u>27,000</u>	<u>2,775</u>	<u>19,000</u>	<u>1,421</u>	<u>18,290</u>	<u>1,201</u>	<u>19,690</u>	<u>0</u>	<u>2,953</u>	<u>0</u>	<u>94,433</u>	<u>6,337</u>

CITY OF COLLINWOOD, TN
Schedule of Long-term Debt (cont'd)
6-30-12

Notes & Bonds	Business-type Activities									
	Outstanding for the year ending 6/30	Water Fund USDA Rur. Dev. Principal	5% Interest	Water Fund Public Health Loan Principal	1.55% Interest	Water Fund Steve & Virginia Ray Bldg. Principal	0.00% Interest	Gas Fund Steve & Virginia Ray Bldg. Principal	0.00% Interest	Sewer Fund TN Div. Bond Fin. Principal
2013	6,000	1,100	18,924	2,424	11,814	0	14,767	0	46,183	7,649
2014	6,000	800	19,224	2,136					47,046	6,786
2015	6,000	500	19,524	1,836					47,923	5,909
2016	7,000	175	19,825	1,524					48,817	5,015
2017			20,135	1,212					49,729	4,103
2018			20,449	900					50,656	3,176
2019			20,769	588					51,601	2,231
2020			21,093	264					52,563	1,269
2021			5,361	13					40,090	308
2022										
	<u>25,000</u>	<u>2,575</u>	<u>165,304</u>	<u>10,897</u>	<u>11,814</u>	<u>0</u>	<u>14,767</u>	<u>0</u>	<u>434,608</u>	<u>36,446</u>

CITY OF COLLINWOOD, TN
Schedule of Long-term Debt (cont'd)
6-30-12

Notes & Bonds Outstanding for the year ending 6/30	Sewer Fund TN Div. Bond Fin.		Total Business- type activities		Total Govt. and Bus. type activities	
	Principal	Interest 1.70%	Principal	Interest	Principal	Interest
2013	75,408	5,136	173,096	16,309	218,142	19,372
2014	76,704	3,840	148,974	13,562	173,569	15,593
2015	78,024	2,520	151,471	10,765	166,263	11,682
2016	79,356	1,188	154,998	7,902	163,498	8,190
2017	41,190	96	111,054	5,411	112,554	5,449
2018			71,105	4,076	71,105	4,076
2019			72,370	2,819	72,370	2,819
2020			73,656	1,533	73,656	1,533
2021			45,451	321	45,451	321
2022			0	0	0	0
	<u>350,682</u>	<u>12,780</u>	<u>1,002,175</u>	<u>62,698</u>	<u>1,096,608</u>	<u>69,035</u>

CITY OF COLLINWOOD, TENNESSEE
Schedule of Utility Rates & Customers
June 30, 2012
(Unaudited)

WATER:

Inside city limits:

Minimum and first 2,000 gallons	\$12.30	
Over 2,000 gallons	6.212	per 1,000 gallons

Outside city limits:

Minimum and first 2,000 gallons	\$17.40	
Over 2,000 gallons	12.375	per 1,000 gallons

SEWER:

Residential user:

Water usage:	Sewer rate:	
First 2,000 gallons	\$17.00	minimum bill
2,001 - 4,000 gallons	6.00	per 1,000 gallons
4,001 - 9,000 gallons	5.00	per 1,000 gallons
Over 9,000 gallons	4.00	per 1,000 gallons

Commercial user:

Water usage:		
First 2,000 gallons	\$29.00	minimum bill
2,001 - 4,000 gallons	10.00	per 1,000 gallons
4,001 - 9,000 gallons	8.00	per 1,000 gallons
Over 9,000 gallons	6.00	per 1,000 gallons

NATURAL GAS: *

	**	Inside City	Outside City	**
Residential user:				
Minimum and first 200 cubic feet		\$10.00	\$13.00	
200 - 4,000 cubic feet		6.574	7.527	per 1,000 cubic feet
4,000 - 9,000 cubic feet		6.404	7.374	per 1,000 cubic feet
9,000 - 14,000 cubic feet		6.299	7.247	per 1,000 cubic feet
Over 14,000 cubic feet		6.299	7.247	per 1,000 cubic feet

Industrial user:

All usage	\$4.76	per 1,000 cubic feet
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* Natural gas rates include 1 1/2 % state tax.

** In August 2009, gas rates were increased to reflect fluctuations in the cost of gas. Using the old rates as a base, rates vary monthly, based on the cost of gas. The increase is not to exceed 25% of the old rates.

Utility customers at June 30, 2012:

Water	700
Gas	405
Sewer	371
Garbage	445

CITY OF COLLINWOOD, TENNESSEE
Schedule of Changes in Property Taxes Receivable
June 30, 2012

Year	Property Taxes Receivable July 1, 2011	Taxes Levied	Adjustments	Collections	Property Taxes Receivable June 30, 2012
2012		259,980			259,980
2011	256,821			(226,688)	30,133
2010	24,502			(14,117)	10,385
2009	3,495			(2,047)	1,448
2007	2,407			(1,517)	890
2006	734				734
2005	2,437				2,437
2004	860				860
2003	133				133
2002	852				852
2001	1,217				1,217
2000	631				631
1999	409				409
Totals	294,498	259,980	0	(244,369)	310,109
Less allowance for estimated uncollectibles					(6,090)
					304,019

CITY OF COLLINWOOD, TENNESSEE
Schedule of Property Tax Rates, Assessments, and Levies
Last Ten Fiscal Years
June 30, 2012
(Unaudited)

Year	Tax Rate Per \$100	Assessed Value	Total Levy
2012	\$ 1.64	\$14,967,542	\$259,980
2011	1.64	14,688,351	256,821
2010	1.64	15,706,928	257,590
2009	1.73	15,727,095	272,076
2008	1.73	13,191,074	228,203
2007	1.73	12,453,421	215,432
2006	1.73	12,013,236	207,820
2005	1.68	12,142,816	203,996
2004	1.68	11,866,482	199,356
2003	1.93	9,837,872	189,864

[Click to access definition](#)

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9	\$374,137
8	\$9.12
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50	0.001
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52	0.001
53	0.001
54	0.001
55	0.001
56	0.001
57	0.001
58	0.001
59	0.001
60	0.001
61	0.001
62	0.001
63	0.001
64	0.001
65	0.001
66	0.001
67	0.001
68	0.001
69	0.001
70	0.001
71	0.001
72	0.001
73	0.001
74	0.001
75	0.001
76	0.001
77	0.001
78	0.001
79	0.001
80	0.001
81	0.001
82	0.001
83	0.001
84	0.001
85	0.001
86	0.001
87	0.001
88	0.001
89	0.001
90	0.001
91	0.001
92	0.001
93	0.001
94	0.001
95	0.001
96	0.001
97	0.001
98	0.001
99	0.001
100	0.001

*** UARL cannot be calculated as either average pressure, number of connections or length of mains is too small: SEE UARL DEFINITION ***

*** YOUR SCORE IS: 46 out of 100 ***

- 1: Volume from own sources
- 2: Customer metering inaccuracies
- 3: Variable production cost (applied to Real Losses)

For more information, [click here to see the Grading Matrix worksheet](#)

INTERNAL CONTROL AND COMPLIANCE

Ronnie L. Clay
Certified Public Accountant
740 Johnson's Crossroad
Jacks Creek, TN 38347

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

To the Mayor and Commissioners
City of Collinwood, TN

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Collinwood, TN, as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise City of Collinwood, TN's basic financial statements and have issued my report thereon dated April 29, 2014.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Collinwood, TN's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Collinwood, TN's internal control. Accordingly, I do not express an opinion on the effectiveness of City of Collinwood, TN's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

I consider the deficiencies described in the accompanying schedule of findings and responses, listed as findings # 1-12 through #6-12, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Collinwood, TN's financial statements are free from 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items #C1-12 and #C2-12.

City of Collinwood, TN's Response to Findings

City of Collinwood, TN's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. City of Collinwood, TN's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



Jacks Creek, TN
April 29, 2014

RONNIE L. CLAY
Certified Public Accountant
740 Johnson's Crossroad
Jacks Creek, TN 38347

**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***

SCHEDULE OF FINDINGS

Internal Control

Finding # 1-12: Segregation of duties

One of the characteristics of a satisfactory system of internal accounting control is proper separation of functional responsibilities or duties. This generally means that no person should have complete control over a transaction or an asset. Obviously, this is sometimes difficult if not impractical due to limited personnel.

Recommendation: Although it may be impractical to hire more personnel, we recommend steps be taken to segregate duties as much as possible, and combine this with increased monitoring by management, including regular reconciliations of cash and receivables.

Management's response: We are already implementing procedures to reduce the risk in this area.

Finding # 2-12: General ledger postings and accounts receivable

General ledger postings for utility service billings are not posted properly, and the related accounts receivable are not reconciled on a regular basis.

Recommendation: Care should be taken to make sure these items are properly classified, and accounts receivable should be reconciled each month.

Management's response: We are now posting these items correctly and reconciling accounts receivable.

Finding # 3-12: Violation of three-day deposit rule and failure to make intact deposits

The city recorder failed to deposit collections within three days of receipt, and intact. Section 6-56-111(a), *Tennessee Code Annotated*, states:

Every municipal official handling public funds shall be required to, as soon as practical, but no later than three working days after the receipt by such municipal official of any public funds, deposit the funds to the credit of such municipality's official bank account, or bank accounts.

SCHEDULE OF FINDINGS
(Continued)

The *Internal Control and Compliance Manual for Tennessee Municipalities*, pages 49-50, state:

Municipal officials should ensure that...collections are deposited daily, if possible, but no more than three working days after the initial collection, as required by state law. The bank's night depository should be used, if necessary, to avoid large accumulations of currency overnight...collections are deposited intact and only in designated depositories. Intact means that collections are deposited in the form and amount in which they are collected. Employee and third party checks must not be cashed through the cash drawers. No collections should be withheld from the deposit for any reason.

Recommendation: To help prevent the misuse or loss of collections, officials should ensure that all collections are deposited intact within three working days into an official municipal bank account. Cash on hand should be safeguarded. To avoid the risk of loss and maintain the integrity of the bank deposit, city officials should prohibit cashing checks with city money.

Management's response: The city concurs with the above finding. The city will attempt to make deposits on a daily basis, but no later than three working days after receipt. Furthermore, the city will prohibit the cashing of personal checks with city funds.

Finding # 4-12: Failure to prepare daily collection records

The recorder failed to prepare daily collection reports. The *Internal Control and Compliance Manual for Tennessee Municipalities*, page 50, requires municipal officials to ensure that

...each day the cashier summarizes all cash collections by source on a daily collection report, clearly indicating the amount to be deposited, the amount retained for change, and the amount of cash over or short. Each report should be dated, and the date should be recorded on the corresponding deposit slip. The total on the corresponding deposit slip as well as the total of all applicable pre-numbered receipts should agree with the total collections recorded on the daily collection report.

Recommendation: To better account for collections, each day the cashier should prepare a detailed report of that day's total collections and the source of those collections. To help document that all collections are deposited intact, the totals of each daily collection report, corresponding pre-numbered receipts, and related bank deposit should agree. The cashier should sign and date the report.

Management's response: The city concurs with the above finding. The city has retained the services of MTAS to assist the city with the system to help ensure that the collection reports are prepared on a daily basis. Furthermore, Local Government has been retained by the city to assist with the training of city employees. Furthermore, pre-numbered receipts will be verified against the daily collection report.

Finding # 5-12: Pre-numbered receipts not accounted for

The city recorder issued pre-numbered receipts. However, when collections were prepared for deposit by the recorder, there was no accounting for the pre-numbered receipts to ensure that each and every collection was deposited into a city bank account. The *Internal Control and Compliance Manual for Tennessee Municipalities*, page 49, requires that all pre-numbered receipts be accounted for.

Recommendation: To help promptly detect errors or irregularities, the recorder must ensure that each day's pre-numbered, duplicate receipts are reconciled with the daily collection report and daily collections before the collections are deposited. This reconciliation should be documented in the municipality's records.

**SCHEDULE OF FINDINGS
(Continued)**

Management's response: The city concurs with the above finding. The city will reconcile the duplicate receipts with the collection report on a daily basis. Furthermore, the reconciliation will be documented in the city's records.

Finding # 6-12: Legal Issue: Cash shortage in water fund

Water fund revenue was short approximately \$76,500.00, in the 2012 fiscal year. Management discovered shortages in the 2013 fiscal year, and this was reported to the Tennessee Comptroller of the Treasury, resulting in a special investigation for the 2013 fiscal year. The investigation revealed misappropriations of \$94,426.00, by city recorder, Melissa Broome, in the 2013 fiscal year. Melissa Broome was indicted on March 14, 2014, by the Wayne County Grand Jury, on one count of theft over \$60,000. No investigation was performed for the 2012 fiscal year.

Compliance and Other Matters

Finding # C1-12: Expenditures over budget

Governmental expenditures were over budget on many line items. Also, no budget was adopted for the beautification fund.

Recommendation: All expenditures should be budgeted and approved by the governing body. The budget should be amended as necessary to cover these expenditures.

Management's response: We concur, and we are now amending the budget as necessary.

Finding # C2-12: Net loss in proprietary funds

Both the water and gas funds reported net losses for the current year.

Recommendation: Steps should be taken to correct this situation by reducing expenses and/or increasing revenue.

Management's response: The net loss in the water fund appears to be the result of misappropriation of funds. The gas fund is now doing much better, and gas rates will be increased effective July 1, 2014.

**SCHEDULE OF FINDINGS
(Continued)**

Disposition of Prior Year's Findings on Internal Control and Compliance

Internal Control:

Findings # 1-11 and #SI-4-11: Segregation of duties

Action taken: This continues to be a problem.

Finding # 2-11: General ledger postings and accounts receivable in enterprise funds.

Action taken: This was still a problem in the current year.

Finding # SI-1-11: Violation of three-day deposit rule and failure to make deposits intact

Action taken: This situation still existed in the current year.

Finding # SI-2-11: Failure to prepare daily collection records

Action taken: This situation still existed in the current year.

Finding # SI-3-11: Pre-numbered receipts not accounted for

Action taken: This situation still existed in the current year.

Finding # SI-5-11: Legal issues: Misappropriation of funds and destruction of government records.

Action taken: Misappropriation of funds continued in the current year, and in fiscal year ended June 30, 2013, but has been corrected in the 2014 fiscal year. Destruction of government records was not a problem this year.

Compliance:

Finding # C1-11: Expenditures over budget

Action taken: This is still a problem.

Finding # C2-11: Uncollateralized deposits with bank

Action taken: This situation has been corrected.

Finding # C3-11: Net loss in proprietary fund

Action taken: This situation continues with both the water and gas funds reporting net losses this year.