
TOWN OF ALAMO, TENNESSEE
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2012

**TOWN OF ALAMO, TENNESSEE
TABLE OF CONTENTS**

Introductory Section

Directory.....	1
----------------	---

Financial Section

Independent Auditor's Report	2
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities.....	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Assets - Proprietary Funds.....	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	18
Statement of Cash Flows - Proprietary Funds	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	20
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Purpose School Fund.....	25
Notes to Financial Statements	26
Required Supplementary Information	
Schedule of Funding Progress - Employee Retirement System	41

Other Supplementary Information

Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet - Other Governmental Funds.....	42
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Other Governmental Funds.....	43
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - State Street Aid Fund.....	44
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Federal Projects Fund.....	45
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Centralized Cafeteria Fund	46
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Solid Waste Services Fund.....	47
Supplementary Schedules	
Schedule of Changes in Property Taxes Receivable.....	48
Schedule of Water and Sewer Rates in Force	49
Water Loss Schedule - Unaudited	50
Schedule of Principal and Interest Requirements - General Obligation Debt - Schools	51
Schedule of Salaries and Bonds.....	52
Schedule of Expenditures of Federal Awards	53

**TOWN OF ALAMO, TENNESSEE
TABLE OF CONTENTS**

Internal Control and Compliance Section

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54
Schedule of Findings and Responses	56

INTRODUCTORY SECTION

**TOWN OF ALAMO, TENNESSEE
DIRECTORY**
June 30, 2012

BOARD OF ALDERMEN

Ira Burrow
Joe Jones
Roe Nell Hughes
Jody Byrd

MANAGEMENT TEAM

Tommy Green, Mayor
Rita Reasons, Town Recorder

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



Certified Public Accountants
Offices in Tennessee & Kentucky

227 Oil Well Rd.
Jackson, TN 38305

Phone 731.427.8571
Fax 731.424.5701
www.atacpa.net

Independent Auditor's Report

To the Mayor and Board of Aldermen
Town of Alamo, 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 Town of Alamo, Tennessee, (the Town) as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Alamo City School Board of Education, which are identified in the accompanying financials statements as the general purpose school fund, the federal projects fund, and the centralized cafeteria fund. These funds represent 75 percent, 77 percent, and 80 percent, respectively, of the assets, net assets, and revenues of the governmental activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Alamo City School Board of Education, is based on the report of the other auditors.

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 and the report of other auditors provide a reasonable basis for our opinions.

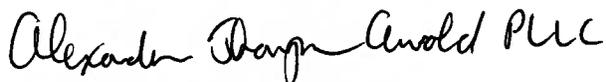
In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparisons for the general fund and the general purpose school fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2013, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and the schedule of funding progress on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements. The combining and individual nonmajor fund financial statements, the budgetary comparison schedules included as other supplementary information, supplementary schedules, and schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Jackson, Tennessee
February 12, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Alamo, Tennessee, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$10.28 million (net assets). Of this amount \$1.87 million (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$373 thousand during 2012, compared to decreasing by \$40 thousand during 2011.
- As of the close of the fiscal year, the Town's governmental funds reported ending fund balances of \$2.67 million. This was a decrease of \$114 thousand, or 4.09%, over the prior year. 25.72% of the ending fund balances were unassigned and available for current use by the Town.
- The Town's total debt obligations decreased by \$56 thousand during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of the following components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.
4. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

- The Statement of Net Assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- The Statement of Activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, compensated absences, etc.).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government; public safety; public works; culture and recreation; and education. The business-type activities of the Town are made up of the water and sewer division. The government-wide financial statements can be found on pages 10 to 12 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

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

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements and reconciliations can be found on pages 13 to 16 of this report.

The Town maintains six governmental funds. Information is presented separately in the Balance Sheet - Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for the General Fund and General Purpose School Fund, which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. The Solid Waste/Sanitation Fund is considered a fund by the State of Tennessee but does not meet the requirements to be reported separately, so it is consolidated with the General Fund for reporting purposes.

The Town adopts an annual appropriated budget for all governmental funds. This includes the Solid Waste/Sanitation Fund which, as aforementioned, is a required fund per Tennessee Code Annotated, but does not qualify as a special revenue fund and is instead included in the general fund for the basic governmental fund financial statements. Budgetary comparison statements have been provided on pages 20 to 25 and pages 44 to 47 of this report.

Proprietary funds - There are two different types of proprietary funds.

- *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for the Water and Sewer Division.
- *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a government's various functions. The Town currently has no internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Division which is considered to be a major fund of the Town. The basic proprietary fund financial statements can be found on pages 17 to 19 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 to 40 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's ability to meet its projected budget and the Town's schedule of funding progress for its pension plan.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$10.28 million at the close of the most recent fiscal year. The largest portion of the Town's net assets (62.56%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (19.26%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net assets representing unrestricted net assets (18.18%) may be used to meet the Town's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the Town as a whole, as well as for its total governmental and total business-type activities.

Comparisons with the prior year data are presented below.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 3,382,686	\$ 3,448,814	\$ 1,322,832	\$ 1,192,528	\$ 4,705,518	\$ 4,641,342
Capital assets	<u>4,647,813</u>	<u>4,335,702</u>	<u>2,146,066</u>	<u>2,095,194</u>	<u>6,793,879</u>	<u>6,430,896</u>
Total assets	<u>8,030,499</u>	<u>7,784,516</u>	<u>3,468,898</u>	<u>3,287,722</u>	<u>11,499,397</u>	<u>11,072,238</u>
Long-term liabilities	422,582	478,090	-	-	422,582	478,090
Other liabilities	<u>712,410</u>	<u>668,931</u>	<u>79,643</u>	<u>13,637</u>	<u>792,053</u>	<u>682,568</u>
Total liabilities	<u>1,134,992</u>	<u>1,147,021</u>	<u>79,643</u>	<u>13,637</u>	<u>1,214,635</u>	<u>1,160,658</u>
Net assets:						
Invested in capital assets, net of related debt	4,287,813	3,910,573	2,146,066	2,095,194	6,433,879	6,005,767
Restricted	1,980,349	1,886,372	-	-	1,980,349	1,886,372
Unrestricted	<u>627,345</u>	<u>840,550</u>	<u>1,243,189</u>	<u>1,178,891</u>	<u>1,870,534</u>	<u>2,019,441</u>
Total net assets	<u>\$ 6,895,507</u>	<u>\$ 6,637,495</u>	<u>\$ 3,389,255</u>	<u>\$ 3,274,085</u>	<u>\$ 10,284,762</u>	<u>\$ 9,911,580</u>

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net assets. During the current fiscal year, the Town's net assets increased by \$373 thousand. There was an increase in net assets for the year of \$258 thousand in the governmental activities which was due to a profit of \$145 thousand in conjunction with a prior period adjustments of \$113 thousand. There was an increase in net assets of \$115 thousand in the business type activities which was due to a profit of \$115 thousand.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities - Expenses in the governmental activities exceeded program revenues by \$1.26 million. In the business-type activities revenues exceeded expenses by \$107 thousand. General government revenues, transfers, and capital contributions of \$1.40 million offset the governmental activities deficit leaving a profit of \$145 thousand before the prior period adjustment of \$113 thousand, and other business-type revenues of \$8 thousand increased income leaving a net income of \$115 thousand.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 692,959	\$ 680,194	\$ 446,194	\$ 446,733	\$ 1,139,153	\$ 1,126,927
Operating grants and contributions	4,214,054	4,598,295	-	-	4,214,054	4,598,295
Capital grants and contributions	86,836	4,348	130,567	-	217,403	4,348
General revenues:						
Taxes & state shared revenues	1,201,555	836,940	-	-	1,201,555	836,940
Other sources	74,857	45,497	7,701	9,109	82,558	54,606
Total revenues	<u>6,270,261</u>	<u>6,165,274</u>	<u>584,462</u>	<u>455,842</u>	<u>6,854,723</u>	<u>6,621,116</u>
Expenses:						
General government	\$ 328,252	\$ 300,721	\$ -	\$ -	\$ 328,252	\$ 300,721
Public safety	320,262	345,563	-	-	320,262	345,563
Public works	636,202	626,261	-	-	636,202	626,261
Culture and recreation	10,056	8,770	-	-	10,056	8,770
Education	4,921,598	4,773,956	-	-	4,921,598	4,773,956
Capital outlay	18,551	-	-	-	18,551	-
Interest on debt	16,585	24,078	-	-	16,585	24,078
Water and Sewer	-	-	469,292	501,888	469,292	501,888
Total expenses	<u>6,251,506</u>	<u>6,079,349</u>	<u>469,292</u>	<u>501,888</u>	<u>6,720,798</u>	<u>6,581,237</u>
Change in net assets	18,755	85,925	115,170	(46,046)	133,925	39,879
Contributed capital	126,018	-	-	-	126,018	-
Increase in net assets	144,773	85,925	115,170	(46,046)	259,943	39,879
Net assets - beginning	6,637,495	6,551,570	3,274,085	3,320,131	9,911,580	9,871,701
Prior period adjustment	113,239	-	-	-	113,239	-
Net assets - beginning - restated	<u>6,750,734</u>	<u>6,551,570</u>	<u>3,274,085</u>	<u>3,320,131</u>	<u>10,024,819</u>	<u>9,871,701</u>
Net assets - ending	<u>\$ 6,895,507</u>	<u>\$ 6,637,495</u>	<u>\$ 3,389,255</u>	<u>\$ 3,274,085</u>	<u>\$ 10,284,762</u>	<u>\$ 9,911,580</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Based on the statements and discussion, the overall financial position of the Town has improved during the period.

The general fund and general purpose school fund account for 18.76% and 64.77% respectively, of governmental fund revenues. Accordingly this discussion will focus on the general fund and general purpose school fund. General fund balance was \$812 thousand at the end of the current fiscal year. All of that balance is available to meet the day-to-day needs of the Town, except for \$126 thousand which is restricted for the solid waste fund. The general purpose school fund balance was \$1.63 million at the end of the current fiscal year.

Revenues in the general fund increased over last year by approximately \$259 thousand. The reason for this change is increases of approximately \$93 thousand and \$263 thousand in intergovernmental revenues and charges for services, respectively.

Revenues in the general purpose school fund decreased from last year by approximately \$19 thousand. The most significant changes in revenues and other financing sources in the general purpose school fund were in other revenue which decreased by \$39 thousand mainly due to a decrease in other state revenue, charges for services, and miscellaneous revenue.

All other revenues were within reasonable variances from last year. A budget comparison statement for these funds has been provided in the required supplementary information to demonstrate compliance with the budgets.

Proprietary funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net assets of the proprietary funds were \$3.39 million with unrestricted net assets making up \$1.24 million of that total. There was an overall increase in net assets for proprietary funds of \$115 thousand during the current year.

Budgetary highlights - The Town made revisions to the original appropriations approved by the Board of Aldermen or School Board. The general fund had no budget amendments. The general purpose school fund had 0.03% increase in budgeted revenues and a 1.41% increase in budgeted expenditures. The primary accounts affected by the amendments were state education funds revenue and instruction and non-instructional services expenses.

Actual revenues and other financing sources were over budgeted amounts by \$5 thousand in the general fund. Actual revenues and other financing sources exceeded final budgeted amounts by \$35 thousand in the general purpose school fund. Significant variances are as follows:

- Business tax revenue was over the budget by \$15 thousand in the general fund.
- Intergovernmental revenue was over the budget by \$8 thousand in the general fund, specifically state sales tax exceeded the budget by \$14 thousand.
- State education funds revenue was over the budget by \$38 thousand in the general purpose school fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenditures and other financing uses were \$220 thousand under budgeted amounts in the general fund and \$191 thousand under budgeted amounts in the general purpose school fund. Significant variances were as follows:

- Total expenses in general government, public safety, and public works were \$88 thousand, \$25 thousand, and \$34 thousand, respectively, under budget in the general fund.
- Total expenses in capital outlay were \$32 thousand under budget in the general fund.
- Total expenses in support services, instruction, and non-instructional services in the general purpose school fund were \$122 thousand, \$167 thousand, and \$35 thousand under budget. These variances were offset by capital outlay being over budget by \$173 thousand.

There were no other significant variances in revenues, expenditures, and other financing sources and uses other than the ones that have been detailed above.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2012, the Town had invested \$6.79 million net of accumulated depreciation in a variety of capital assets and infrastructure. Additional information on the Town's capital assets can be found in Note 4C beginning on page 33 of this report.

Long-term debt - At the end of the current fiscal year, the Town had total long-term debt outstanding of \$360 thousand. The entire amount is comprised of debt backed by the full faith and credit of the Town. Information on the Town's long-term debt can be found in Note 4E beginning on page 36 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The inflation rate at June 30, 2012 is 1.7%, down from 3.6% at June 30, 2011.
- The unemployment rate for Alamo is currently 10.1%, down from 11.0 % in 2011. The state's average unemployment rate is currently 8.3%. The national average unemployment rate is currently 7.9%. All of the rates are from labor statistics released in June 2012 and June 2011, respectively.

All of these factors were considered in preparing the Town's budget for the 2012 fiscal year. The Town has no plans to incur any new debt.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Alamo's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Recorder, Town of Alamo, 74 East Park Street, Alamo, TN 38001.

BASIC FINANCIAL STATEMENTS

TOWN OF ALAMO, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,703,288	\$ 783,677	\$ 2,486,965
Certificates of deposit	984,950	443,540	1,428,490
Receivables			
Interest	2,803	-	2,803
Taxes (net of allowance)	366,404	-	366,404
Accounts (net of allowance)	25,385	42,137	67,522
Grant	-	59,963	59,963
Other	2,656	-	2,656
Due from other funds	6,485	(6,485)	-
Due from other governments	269,157	-	269,157
Inventories	7,500	-	7,500
Restricted cash in bank	14,058	-	14,058
Capital assets, not being depreciated			
Land	149,099	-	149,099
Construction in progress	-	140,430	140,430
Capital assets, net of accumulated depreciation			
Buildings and equipment	4,303,351	21,792	4,325,143
Infrastructure	195,363	-	195,363
Utility plant	-	1,983,844	1,983,844
Total assets	\$ 8,030,499	\$ 3,468,898	\$ 11,499,397
Liabilities			
Accounts payable	\$ 54,513	\$ 76,963	\$ 131,476
Accrued expenses	298,599	2,680	301,279
Deferred revenue	359,298	-	359,298
Long-term liabilities			
Due within one year	20,000	-	20,000
Due in excess of one year	402,582	-	402,582
Total liabilities	1,134,992	79,643	1,214,635
Net Assets			
Investment in capital assets, net of related debt	4,287,813	2,146,066	6,433,879
Restricted for			
Education	1,631,267	-	1,631,267
Food service - schools	110,220	-	110,220
Federal projects	81,002	-	81,002
Solid waste	125,856	-	125,856
State street aid expenses	32,004	-	32,004
Unrestricted	627,345	1,243,189	1,870,534
Total net assets	\$ 6,895,507	\$ 3,389,255	\$ 10,284,762

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

TOWN OF ALAMO, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 328,252	\$ -	\$ -	\$ 84,861	\$ (243,391)	\$ -	\$ (243,391)
Public safety	320,262	17,438	1,800	1,975	(299,049)	-	(299,049)
Public works	636,202	259,377	68,852	-	(307,973)	-	(307,973)
Culture and recreation	10,056	2,100	-	-	(7,956)	-	(7,956)
Instruction	2,910,083	1,000	4,143,402	-	1,234,319	-	1,234,319
Support services	1,310,373	-	-	-	(1,310,373)	-	(1,310,373)
Non-instructional services	290,851	-	-	-	(290,851)	-	(290,851)
Food service	410,291	413,044	-	-	2,753	-	2,753
Capital outlay	18,551	-	-	-	(18,551)	-	(18,551)
Debt service	16,585	-	-	-	(16,585)	-	(16,585)
Total governmental activities	<u>6,251,506</u>	<u>692,959</u>	<u>4,214,054</u>	<u>86,836</u>	<u>(1,257,657)</u>	<u>-</u>	<u>(1,257,657)</u>
Business-type activities							
Water & Sewer	<u>469,292</u>	<u>446,194</u>	<u>-</u>	<u>130,567</u>	<u>-</u>	<u>107,469</u>	<u>107,469</u>
Total business-type activities	<u>\$ 469,292</u>	<u>\$ 446,194</u>	<u>\$ -</u>	<u>\$ 130,567</u>	<u>-</u>	<u>107,469</u>	<u>107,469</u>

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

TOWN OF ALAMO, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
General revenues							
Property taxes - levied for general government					343,896	-	343,896
In lieu of taxes - TVA					28,439	-	28,439
Sales taxes					769,519	-	769,519
Franchise taxes					14,935	-	14,935
Alcoholic beverage taxes					1,208	-	1,208
Business taxes					33,217	-	33,217
Income taxes					10,341	-	10,341
Other sources					64,468	-	64,468
Interest income					10,389	7,701	18,090
Total general revenues					<u>1,276,412</u>	<u>7,701</u>	<u>1,284,113</u>
Transfers							
Transfers in					72,419	-	72,419
Transfers out					(72,419)	-	(72,419)
Total transfers					<u>-</u>	<u>-</u>	<u>-</u>
Contributed capital					<u>126,018</u>	<u>-</u>	<u>126,018</u>
Total general revenues, transfers and contributed capital					<u>1,402,430</u>	<u>7,701</u>	<u>1,410,131</u>
Changes in net assets					144,773	115,170	259,943
Net assets - beginning					<u>6,637,495</u>	<u>3,274,085</u>	<u>9,911,580</u>
Prior period adjustment					<u>113,239</u>	<u>-</u>	<u>113,239</u>
Net assets, beginning - restated					<u>6,750,734</u>	<u>3,274,085</u>	<u>10,024,819</u>
Net assets - ending					<u>\$ 6,895,507</u>	<u>\$ 3,389,255</u>	<u>\$ 10,284,762</u>

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

TOWN OF ALAMO, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	General Purpose School	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 210,635	\$ 1,370,967	\$ 121,686	\$ 1,703,288
Certificates of deposit	550,000	434,950	-	984,950
Receivables				
Interest	-	2,803	-	2,803
Taxes (net of allowance)	366,404	-	-	366,404
Accounts	25,385	-	-	25,385
Other	2,656	-	-	2,656
Grants	-	-	-	-
Intergovernmental	-	-	-	-
Due from other funds	21,821	-	-	21,821
Due from other governments	42,619	96,471	130,067	269,157
Prepays	-	-	-	-
Restricted cash in bank	-	14,058	-	14,058
Inventories	-	-	7,500	7,500
Total assets	1,219,520	1,919,249	259,253	3,398,022
Liabilities and Fund Balances				
Liabilities				
Accounts payable	25,293	29,220	-	54,513
Accrued expenses	3,810	258,762	36,027	298,599
Due to other funds	15,336	-	-	15,336
Deferred revenue	363,528	-	-	363,528
Total liabilities	407,967	287,982	36,027	731,976
Fund balances				
Nonspendable				
Inventory	-	-	1,806	1,806
Restricted				
Education	-	1,631,267	-	1,631,267
Food service - schools	-	-	108,414	108,414
Federal projects	-	-	81,002	81,002
Solid waste	125,856	-	-	125,856
State street aid expenditures	-	-	32,004	32,004
Unassigned	685,697	-	-	685,697
Total fund balances	811,553	1,631,267	223,226	2,666,046
Total liabilities and fund balances	\$ 1,219,520	\$ 1,919,249	\$ 259,253	\$ 3,398,022

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

TOWN OF ALAMO, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Amounts reported for the governmental activities in the statement of net assets (Page 10) are different because:

Fund balance - total governmental funds (Page 13)	\$ 2,666,046
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.	4,647,813
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds.	4,230
Long-term liabilities, including bonds payable and other long term liabilities are not due in the current period and, therefore, are not reported in the funds.	<u>(422,582)</u>
Net assets - governmental activities (Page 10)	<u>\$ 6,895,507</u>

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

TOWN OF ALAMO, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2012

	<u>General</u>	<u>General Purpose School</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 572,601	\$ 446,233	\$ -	\$ 1,018,834
Licenses and permits	-	278	-	278
Intergovernmental	270,520	-	63,801	334,321
Charges for services	270,477	-	-	270,477
Services to other systems	-	1,000	-	1,000
Other local revenue	-	22,341	-	22,341
State education	-	3,587,913	-	3,587,913
Fines	10,238	-	-	10,238
Payments for meals	-	-	78,301	78,301
USDA revenue	-	-	334,743	334,743
Federal funds from State	-	-	551,049	551,049
Other State	-	768	3,672	4,440
Other	51,486	-	610	52,096
Total revenues	<u>1,175,322</u>	<u>4,058,533</u>	<u>1,032,176</u>	<u>6,266,031</u>
Expenditures				
Current				
General government	356,878	-	-	356,878
Public safety	320,262	-	-	320,262
Public works	583,373	-	43,207	626,580
Culture and recreations	10,056	-	-	10,056
Instruction	-	2,366,671	349,144	2,715,815
Support services	-	1,186,128	124,245	1,310,373
Non-instructional services	-	290,851	-	290,851
Food service	-	-	410,291	410,291
Capital outlay	24,633	172,830	59,582	257,045
Debt service				
Capital lease	-	45,129	-	45,129
Principal	-	20,000	-	20,000
Interest	-	16,585	-	16,585
Total expenditures	<u>1,295,202</u>	<u>4,098,194</u>	<u>986,469</u>	<u>6,379,865</u>
Revenues over (under) expenditures	<u>(119,880)</u>	<u>(39,661)</u>	<u>45,707</u>	<u>(113,834)</u>
Other financing sources (uses)				
Transfers in	-	72,419	-	72,419
Transfers out	(72,419)	-	-	(72,419)
Total other financing sources (uses)	<u>(72,419)</u>	<u>72,419</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>(192,299)</u>	<u>32,758</u>	<u>45,707</u>	<u>(113,834)</u>
Fund balances - beginning	1,003,852	1,598,509	177,519	2,779,880
Fund balances - ending	<u>\$ 811,553</u>	<u>\$ 1,631,267</u>	<u>\$ 223,226</u>	<u>\$ 2,666,046</u>

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

TOWN OF ALAMO, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

Amounts reported for the governmental activities in the statement of activities (Page 12) are different because:

Net change in fund balances - total governmental funds (Page 15)	\$ (113,834)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period. This is the amount by which depreciation exceeded capital outlays in the current period.	198,869
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,230
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any effect on net assets.	<u>55,508</u>
Change in net assets of governmental activities (Page 12)	<u>\$ 144,773</u>

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

TOWN OF ALAMO, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Water & Sewer Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 783,677
Certificates of deposit	443,540
Customer receivables, net	42,137
Grants receivable	59,963
Due from other funds	15,336
Total current assets	1,344,653
Noncurrent assets	
Capital assets, not being depreciated	
Construction in progress	140,430
Capital assets, being depreciated	
Utility plant	4,527,206
Equipment	222,546
Less accumulated depreciation	(2,744,116)
Total noncurrent assets	2,146,066
Total assets	\$ 3,490,719
Liabilities	
Current liabilities	
Accounts payable	\$ 76,963
Other accrued expenses	2,680
Due to other funds	21,821
Total liabilities	101,464
Net assets	
Invested in capital assets	2,146,066
Unrestricted	1,243,189
Total net assets	3,389,255
Total liabilities and net assets	\$ 3,490,719

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

TOWN OF ALAMO, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2012

	Water & Sewer Fund
Operating revenues	
Charges for sales and service	\$ 412,283
Connection and service fees	14,504
Penalties	18,597
Grant revenue	130,567
Other operating revenue	810
Total operating revenues	576,761
Operating expenses	
Salaries and personnel expense	147,498
Utilities	54,684
Supplies and testing	11,349
System maintenance	69,345
Provision for depreciation	106,523
Bad debt expense	8,829
Administrative and general expenses	71,064
Total operating expenses	469,292
Operating income (loss)	107,469
Nonoperating revenues (expenses)	
Interest and other income	7,701
Change in net assets	115,170
Total net assets - beginning	3,274,085
Total net assets - ending	\$ 3,389,255

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

TOWN OF ALAMO, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012

	<u>Water & Sewer Division</u>
Cash flows from operating activities:	
Cash received from consumers	\$ 431,991
Cash paid to suppliers of goods and services	(138,993)
Cash paid to employees for services	(148,645)
Net cash provided (used) by operating activities	<u>144,353</u>
Cash flows from capital and related financing activities:	
Construction and acquisition of plant	(157,395)
Grant revenue for capital assets	<u>70,604</u>
Net cash provided (used) by capital and related financing activities	<u>(86,791)</u>
Cash flows from investing activities:	
Purchase of investment	(443,540)
Proceeds from sale and maturities of investments	440,740
Interest received	<u>7,701</u>
Net cash provided (used) by investing activities	<u>4,901</u>
Net increase (decrease) in cash and cash equivalents	62,463
Cash and cash equivalents - beginning of year	<u>721,214</u>
Cash and cash equivalents - end of year	<u>\$ 783,677</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 107,469
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	106,523
Bad debt expense	8,829
Grant revenue for capital assets	(70,604)
Changes in assets and liabilities:	
Accounts receivable	(74,166)
Accounts payable and accrued expenses	<u>66,302</u>
Net cash provided (used) by operating activities	<u>\$ 144,353</u>

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

TOWN OF ALAMO, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

Revenues:	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Over (Under)
Taxes:				
Property taxes	\$ 316,000	\$ 316,000	\$ 318,550	\$ 2,550
Public utility property tax	14,500	14,500	15,151	651
Interest & penalty - property tax	3,100	3,100	5,965	2,865
Local option sales taxes	160,000	160,000	156,344	(3,656)
Business taxes	18,000	18,000	33,217	15,217
TVA in-lieu of tax payments	24,000	24,000	28,439	4,439
Cable TV franchise taxes	13,000	13,000	14,935	1,935
	<u>548,600</u>	<u>548,600</u>	<u>572,601</u>	<u>24,001</u>
Intergovernmental:				
State - sales tax	153,000	153,000	166,942	13,942
State - income tax	8,000	8,000	3,610	(4,390)
State - beer tax	1,300	1,300	1,208	(92)
State - city streets and transportation	3,500	3,500	5,051	1,551
State - telecommunications tax	160	160	142	(18)
State - excise tax	7,500	7,500	6,731	(769)
Federal funds passed through state				
Energy Efficiency and Conservation				
Block Grant - ARRA	89,300	89,300	84,861	(4,439)
Alcohol open container requirements	-	-	1,975	1,975
	<u>262,760</u>	<u>262,760</u>	<u>270,520</u>	<u>7,760</u>
Charges for services:				
Cementary revenue	1,500	1,500	2,100	600
Fire calls out-of-town	10,000	10,000	9,000	(1,000)
	<u>\$ 11,500</u>	<u>\$ 11,500</u>	<u>\$ 11,100</u>	<u>\$ (400)</u>
Fines and forfeitures:				
City court revenue	\$ 3,000	\$ 3,000	\$ 4,665	\$ 1,665
Officers costs	2,000	2,000	1,541	(459)
Drug related fines	1,000	1,000	2,232	1,232
General drug fund	500	500	-	(500)
State law enforcement education	2,400	2,400	1,800	(600)
	<u>8,900</u>	<u>8,900</u>	<u>10,238</u>	<u>1,338</u>
Other:				
Miscellaneous	2,000	2,000	8,309	6,309
Contribution and donations	-	-	265	265
Farm rental	3,000	3,000	3,000	-
Fire tower rental	2,040	2,040	2,040	-
Post office building rental	27,483	27,483	27,483	-
State offender registry	800	800	-	(800)
Interest	8,000	8,000	10,389	2,389
	<u>43,323</u>	<u>43,323</u>	<u>51,486</u>	<u>8,163</u>
Total revenues	\$ 875,083	\$ 875,083	\$ 915,945	\$ 40,862

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

TOWN OF ALAMO, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				(Under)
Current:				
General government:				
Board and commissions:				
Salary-Mayor	\$ 9,600	\$ 9,600	\$ 9,600	\$ -
FICA employer's share	1,840	1,840	1,836	(4)
Retirement	1,920	1,920	1,620	(300)
Board and committee members	14,400	14,400	14,400	-
Operating Expense	<u>2,000</u>	<u>2,000</u>	<u>496</u>	<u>(1,504)</u>
	<u>29,760</u>	<u>29,760</u>	<u>27,952</u>	<u>(1,808)</u>
Legal:				
Salary	3,600	3,600	3,600	-
FICA employer's share	280	280	275	(5)
Legal services	<u>4,000</u>	<u>4,000</u>	<u>452</u>	<u>(3,548)</u>
	<u>7,880</u>	<u>7,880</u>	<u>4,327</u>	<u>(3,553)</u>
City recorder:				
Salaries	66,860	66,860	68,118	1,258
FICA employer's share	5,120	5,120	5,145	25
Hospitalization	31,750	31,750	31,811	61
Retirement	5,310	5,310	5,129	(181)
Unemployment benefits	3,000	3,000	-	(3,000)
Litigation tax	400	400	238	(162)
Business tax	-	-	284	284
Court fees/software payables	1,000	1,000	390	(610)
Publicity, donations, dues	9,967	9,967	9,753	(214)
Other publicity, subscriptions, dues	5,535	5,535	1,566	(3,969)
Industrial board	20	20	20	-
Christmas expense	2,600	2,600	2,418	(182)
TML dues	900	900	838	(62)
Utilities	57,500	57,500	41,283	(16,217)
Accounting and auditing services	7,000	7,000	6,000	(1,000)
Architectural engineering	2,000	2,000	5,000	3,000
Other expense	5,500	5,500	3,560	(1,940)
Office expense	4,200	4,200	2,112	(2,088)

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

**TOWN OF ALAMO, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012**

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Current:				
General government:				
City recorder:				
Post office cleaning	3,300	3,300	3,180	(120)
Other office supplies	8,500	8,500	6,417	(2,083)
Uniforms	500	500	284	(216)
Insurance	37,000	37,000	39,517	2,517
Grant - local funds	89,300	89,300	83,861	(5,439)
Equipment	4,500	4,500	1,814	(2,686)
	<u>351,762</u>	<u>351,762</u>	<u>318,738</u>	<u>(33,024)</u>
General government buildings:				
Custodian	1,950	1,950	1,875	(75)
Operating expense	3,800	3,800	3,208	(592)
City owned property	25,000	25,000	24	(24,976)
Municipal building	25,000	25,000	754	(24,246)
	<u>55,750</u>	<u>55,750</u>	<u>5,861</u>	<u>(49,889)</u>
Total general government	<u>445,152</u>	<u>445,152</u>	<u>356,878</u>	<u>(88,274)</u>
Public safety:				
Police department:				
Salary	187,860	187,860	175,810	(12,050)
FICA employer's share	14,380	14,380	13,340	(1,040)
Insurance	52,350	52,350	62,199	9,849
Retirement	14,930	14,930	10,816	(4,114)
Employee travel and training	2,000	2,000	1,417	(583)
Operating expense	20,000	20,000	24,045	4,045
Uniforms	2,100	2,100	267	(1,833)
	<u>293,620</u>	<u>293,620</u>	<u>287,894</u>	<u>(5,726)</u>
Fire department:				
Salary	6,000	6,000	6,000	-
FICA employer's share	460	460	459	(1)
Volunteer firemen	20,000	20,000	13,536	(6,464)
Operating expense	15,000	15,000	9,446	(5,554)
Equipment	4,000	4,000	2,336	(1,664)
Fire hydrant expense	2,000	2,000	591	(1,409)
	<u>47,460</u>	<u>47,460</u>	<u>32,368</u>	<u>(15,092)</u>

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

**TOWN OF ALAMO, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012**

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Current:				
Public safety:				
Building inspector:				
Salary	2,400	2,400	-	(2,400)
FICA employer's share	184	184	-	(184)
Building inspector expense	1,500	1,500	-	(1,500)
	<u>4,084</u>	<u>4,084</u>	<u>-</u>	<u>(4,084)</u>
Total public safety	<u>345,164</u>	<u>345,164</u>	<u>320,262</u>	<u>(24,902)</u>
Public works:				
Street department:				
Salary	199,000	199,000	184,807	(14,193)
FICA employer's share	15,225	15,225	14,292	(933)
Insurance	98,500	98,500	95,776	(2,724)
Retirement	15,805	15,805	14,237	(1,568)
Travel and education	1,000	1,000	-	(1,000)
Repair and maintenance	20,000	20,000	6,116	(13,884)
Vehicle maintenance	17,000	17,000	18,475	1,475
Uniforms	1,800	1,800	1,807	7
Street aid material	4,500	4,500	3,990	(510)
	<u>372,830</u>	<u>372,830</u>	<u>339,500</u>	<u>(33,330)</u>
Sanitation:				
Junk pickup	3,300	3,300	2,162	(1,138)
	<u>3,300</u>	<u>3,300</u>	<u>2,162</u>	<u>(1,138)</u>
Total public works	<u>\$ 376,130</u>	<u>\$ 376,130</u>	<u>\$ 341,662</u>	<u>\$ (34,468)</u>
Culture and recreations:				
Parks:				
Park expense (Park Street)	4,000	4,000	1,311	(2,689)
Park expense (E.D. Brown)	1,000	1,000	-	(1,000)
	<u>5,000</u>	<u>5,000</u>	<u>1,311</u>	<u>(3,689)</u>
Cemeteries:				
Cemetery expense	9,500	9,500	8,745	(755)
Total culture and recreations	<u>14,500</u>	<u>14,500</u>	<u>10,056</u>	<u>(4,444)</u>

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

**TOWN OF ALAMO, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Debt service:				
Principal	20,000	20,000	-	(20,000)
Interest	<u>15,592</u>	<u>15,592</u>	-	<u>(15,592)</u>
	<u>35,592</u>	<u>35,592</u>	-	<u>(35,592)</u>
Capital outlay	<u>57,000</u>	<u>57,000</u>	24,633	<u>(32,367)</u>
Total expenditures	<u>1,273,538</u>	<u>1,273,538</u>	<u>1,053,491</u>	<u>(220,047)</u>
Revenues over (under) expenditures	<u>(398,455)</u>	<u>(398,455)</u>	<u>(137,546)</u>	<u>260,909</u>
Other financing sources (uses):				
Operating transfers in	35,592	35,592	-	(35,592)
Operating transfers out	<u>(72,414)</u>	<u>(72,414)</u>	<u>(72,419)</u>	<u>(5)</u>
Total other financing sources (uses)	<u>(36,822)</u>	<u>(36,822)</u>	<u>(72,419)</u>	<u>(35,597)</u>
Net changes in fund balance	<u>\$ (435,277)</u>	<u>\$ (435,277)</u>	<u>(209,965)</u>	<u>\$ 225,312</u>
Fund balance - beginning			<u>895,663</u>	
Fund balance - ending			<u>\$ 685,698</u>	
Reconciliation to fund financial statements:				
Net change in fund balance			\$ (209,965)	
Revenues and expenditures not included in budgetary statements:				
Solid waste - charges for services			259,377	
Solid waste - expenditures			<u>(241,711)</u>	
Net changes in fund balance - (page 15)			<u>\$ (192,299)</u>	
Fund balance			\$ 685,698	
Assets related to sanitation operations			145,747	
Liabilities related to sanitation operations			<u>(19,892)</u>	
Fund balance - (page 13)			<u>\$ 811,553</u>	

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

**TOWN OF ALAMO, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget Over (Under)</u>
Revenues:				
County taxes	\$ 447,792	\$ 447,792	\$ 446,233	\$ (1,559)
Licenses and permits	200	200	278	78
Service to other systems	9,642	9,642	1,000	(8,642)
Other local revenue	17,000	17,000	22,341	5,341
State education funds	3,547,863	3,549,502	3,587,913	38,411
Other State revenue	100	(500)	768	1,268
Total revenues	<u>4,022,597</u>	<u>4,023,636</u>	<u>4,058,533</u>	<u>34,897</u>
Expenditures:				
Instruction	2,482,896	2,533,764	2,366,671	(167,093)
Support services	1,308,773	1,308,503	1,186,128	(122,375)
Non-instructional services	317,261	325,961	290,851	(35,110)
Capital outlay	-	-	172,830	172,830
Debt service:				
Capital lease	50,000	50,000	45,129	(4,871)
Interest	15,592	15,592	16,585	993
Principal	20,000	20,000	20,000	-
Total expenditures	<u>4,194,522</u>	<u>4,253,820</u>	<u>4,098,194</u>	<u>(155,626)</u>
Revenues over (under) expenditures	<u>(171,925)</u>	<u>(230,184)</u>	<u>(39,661)</u>	<u>190,523</u>
Other financing sources (uses):				
Operating transfers in	72,414	72,414	72,419	5
Net changes in fund balance	<u>\$ (99,511)</u>	<u>\$ (157,770)</u>	<u>32,758</u>	<u>\$ 190,528</u>
Fund balance - beginning			<u>1,598,509</u>	
Fund balance - ending			<u>\$ 1,631,267</u>	

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

TOWN OF ALAMO, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Alamo, Tennessee (Town), operates under a Mayor-Aldermen form of government and provides the following services as authorized by its charter: public safety (police and fire), street maintenance, cemetery maintenance, sanitation collection and disposal, recreation, library, water and sewer, education, and general administrative services. As required by generally accepted accounting principles, these financial statements present all funds, which comprise the Town.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

TOWN OF ALAMO, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Property taxes, gross receipt taxes, sales taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund also includes the accounting for all solid waste revenues and expenditures.

The general purpose school fund is the government's primary operating fund in the school system. It accounts for the financial resources used in the education of the community's children.

The Town reports the following major proprietary fund:

The water and sewer fund accounts for the activities associated with the water distribution system, the sewage treatment plant, sewage pumping stations and collection system.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and service. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF ALAMO, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition. State statutes authorize the Town to invest in certificates of deposit, obligations of the U.S. Treasury agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements, and the state's investment pool.

Investments consist solely of bank certificates of deposit with initial maturities in excess of three months.

Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Property taxes are levied annually on January 1. The taxes are due and payable from the following October through February in the year succeeding the tax levy. An unperfected lien attaches by statute to property on March 1 for unpaid taxes from the prior year's levy. Taxes uncollected by April 1, the year after due may be submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment.

Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The Town elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life of greater than one year, except for School Funds, in which capital assets are defined as assets with an initial cost of more than \$500 and an extended useful life of greater than two years. All land, construction in progress, and works of art will be included. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

TOWN OF ALAMO, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

GASB No. 34 requires the Town to report and depreciate new infrastructure assets effective July 1, 2003. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required by the Town.

Capital assets of the Town are depreciated using the straight line method over the following useful lives:

Buildings	20 - 60 years
Utility plant	20 - 40 years
Machinery and equipment	5 - 25 years
Other improvements	15 - 25 years
Infrastructure	25 years

Deferred Revenue

Deferred revenue represents amounts that were receivable and measurable at June 30, 2012 but were not available to finance expenditures for the year ended June 30, 2012. Deferred revenues primarily include unearned or unavailable revenues.

Compensated Absences

The Town's policy allows employees to accumulate unused sick leave with no limit as to amount and unused annual leave from thirty to forty-two days based on length of service. Sick leave is not vested and is not paid upon termination. Accumulated annual leave is payable to employees upon termination.

The personnel policies of the School Board of Alamo do not allow any vested accumulation of annual leave. Sick leave can be accumulated up to a maximum of ten days per year, which is not vested.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

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

TOWN OF ALAMO, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

Nonspendable fund balance

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes terms that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

Committed fund balance

This classification includes amounts can only be used for the specific purposes determined by a formal action of the Town's highest level of decision-making authority, the Board of Aldermen of the Town of Alamo, Tennessee. Commitments may be changed or lifted only by the Town taking the same formal action that imposed the constraint originally (for example: ordinance).

Assigned fund balance

This classification includes amounts intended to be used by the Town for specific purposes that are neither restricted nor committed. The Board and its designee, the Recorder, have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned fund balance

This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this (\$422,582) difference are as follows:

TOWN OF ALAMO, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Bonds payable	\$ (360,000)
Compensated absences payable	<u>(62,582)</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (422,582)</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the government-wide statement of activities includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period." The details of this \$198,869 difference are as follows:

Capital outlay	\$ 473,591
Depreciation expense	<u>(274,722)</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 198,869</u>

Another element of that reconciliation states that "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$4,230 difference are as follows:

Change in deferred property taxes	<u>\$ 4,230</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 4,230</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Town of Alamo:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. These include the general fund and the special revenue funds. The Board of Aldermen approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year end. In addition, school commodity income and expense is not budgeted on the GAAP basis.

As an extension of the formal budgetary process, the Board of Aldermen may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. The Town's policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Board.

TOWN OF ALAMO, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Under TCA 68-211-874, the Town is required to account for its solid waste collection activities in a separate fund. The Town accounts for these activities in a separate sanitation fund which does not qualify as a special revenue fund under generally accepted accounting principles. Accordingly, for fund reporting the sanitation fund is included as a part of the general fund, but for budgetary reporting is not included as a part of the general fund. Page 24 includes a reconciliation of the general fund budgetary reporting to the general fund reporting on page 13 under generally accepted accounting principles.

Alamo School System:

Budgets and amendments are prepared by the Director of Schools and presented to the School Board for approval. Budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America. As an extension of the formal budgetary process, the School Board may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. All unexpended appropriations lapse at the end of the fiscal year unless the Board authorizes retention.

The System's policy is not to allow expenditures to exceed budgetary amounts at the total fund expenditure level. However, the Federal Projects Fund and Centralized Cafeteria Fund expenditures are over budget.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of June 30, 2012, the Town of Alamo, Tennessee had \$1,428,490 invested in certificates of deposit with local financial institutions.

Custodial Credit Risk

The Town's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statute required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance, by the Tennessee Bank Collateral Pool, by collateral held by the Town's agent in the Town's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Town to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2012, all bank deposits were fully collateralized or insured.

B. Receivables

Receivables as of the year end for the government's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

TOWN OF ALAMO, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

	<u>General</u>	<u>General Purpose School</u>	<u>Water & Sewer Division</u>	<u>Total</u>
Receivables:				
Property taxes	\$ 366,404	\$ -	\$ -	\$ 366,404
Accounts	25,385	-	42,137	67,522
Grants	-	-	59,963	59,963
Interest	-	2,803	-	2,803
Other	2,656	-	-	2,656
Gross receivables	<u>394,445</u>	<u>2,803</u>	<u>102,100</u>	<u>499,348</u>
Less: Allowance for uncollectibles	-	-	-	-
Net total receivables	<u>\$ 394,445</u>	<u>\$ 2,803</u>	<u>\$ 102,100</u>	<u>\$ 499,348</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 4,230	\$ 29,734
2012 property tax assessment	-	329,564
Total deferred revenue for fund financial statements	<u>\$ 4,230</u>	<u>\$ 359,298</u>

C. Capital Assets

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

TOWN OF ALAMO, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

	<u>Beginning Balance (Restated)</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 148,099	\$ 1,000	\$ -	\$ -	\$ 149,099
Capital assets being depreciated:					
Buildings and improvements	4,551,011	(592)	145,739	-	4,696,158
Equipment	1,971,304	(1,000)	201,832	35,383	2,136,753
Infrastructure	86,843	-	126,020	-	212,863
Total capital assets being depreciated	<u>6,609,158</u>	<u>(1,592)</u>	<u>473,591</u>	<u>35,383</u>	<u>7,045,774</u>
Less accumulated depreciation for:					
Buildings and improvements	1,458,422	-	178,395	-	1,636,817
Equipment	835,693	-	92,433	35,383	892,743
Infrastructure	13,606	-	3,894	-	17,500
Total accumulated depreciation	<u>2,307,721</u>	<u>-</u>	<u>274,722</u>	<u>35,383</u>	<u>2,547,060</u>
Total capital assets being depreciated, net	<u>4,301,437</u>	<u>(1,592)</u>	<u>198,869</u>	<u>-</u>	<u>4,498,714</u>
Governmental activities capital assets, net	<u>\$ 4,449,536</u>	<u>\$ (592)</u>	<u>\$ 198,869</u>	<u>\$ -</u>	<u>\$ 4,647,813</u>
Business-type activities:					
Capital assets, not being depreciated:					
Construction in progress	\$ -	\$ -	\$ 140,430	\$ -	\$ 140,430
Capital assets being depreciated:					
Equipment	260,583	-	16,965	55,002	222,546
Utility Plant	4,527,206	-	-	-	4,527,206
Total capital assets being depreciated	<u>4,787,789</u>	<u>-</u>	<u>16,965</u>	<u>55,002</u>	<u>4,749,752</u>
Less accumulated depreciation for:					
Equipment	254,380	-	1,376	55,002	200,754
Utility Plant	2,438,215	-	105,147	-	2,543,362
Total accumulated depreciation	<u>2,692,595</u>	<u>-</u>	<u>106,523</u>	<u>55,002</u>	<u>2,744,116</u>
Total capital assets being depreciated, net	<u>2,095,194</u>	<u>-</u>	<u>(89,558)</u>	<u>-</u>	<u>2,005,636</u>
Business-type activities capital assets, net	<u>\$ 2,095,194</u>	<u>\$ -</u>	<u>\$ 50,872</u>	<u>\$ -</u>	<u>\$ 2,146,066</u>
Total capital assets, net	<u>\$ 6,544,730</u>	<u>\$ (592)</u>	<u>\$ 249,741</u>	<u>\$ -</u>	<u>\$ 6,793,879</u>

TOWN OF ALAMO, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

Governmental activities:		
General government	\$	7,332
Public safety		38,078
Public works		7,361
Culture and recreation		2,464
Instruction		<u>219,487</u>
Total depreciation expense - governmental activities	\$	<u>274,722</u>
Business-type activities:		
Water and sewer	\$	<u>106,523</u>

D. Interfund Receivables, Payables, and Transfers

All interfund balances are expected to be repaid within the next fiscal year and are considered ordinary in nature. The composition of interfund balances as of June 30, 2012 is as follows:

Due to Fund	Due from Fund	Amount
Water and Sewer Fund	General Fund	\$ 15,336
Sanitation Fund	Water and Sewer Fund	21,821

The purposes of the interfund liabilities are noted below:

- The balance between the Water and Sewer Fund and the General Fund is for previous balances borrowed.
- The balance between the Sanitation Fund and the Water and Sewer Fund is for customer payments that were collected by the Water and Sewer Fund but are due to the Sanitation Fund for charges for sanitation services.

The following is a summary of transfers during the year ended June 30, 2012:

Transfers From	Transfers To	Amount
General Fund	General Purpose School Fund	\$ 72,419
Governmental fund activities eliminated		<u>(72,419)</u>
Total government-wide		<u>\$ -</u>

The purposes of the transfers are noted below:

- The transfer between the General Fund and the General Purpose School Fund was made to cover operating expenses.

E. Long-term Debt

Long-term debt of the governmental funds at June 30, 2012, is comprised of the following:

TOWN OF ALAMO, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Bonds Payable:

1995 General Obligation School Bond. Interest rate 4.00%. Interest and principal due in annual installments beginning 2011 through 2025.

\$ 360,000

The aforementioned bonds are direct obligations and pledge the full faith and credit of the government, with principal and interest at a rate of 4.00%, due each year. The Town issued the General Obligation School Bond, Series 1995 to provide funds for renovations of classrooms and facilities. The bonds were issued in 1995 in the amount of \$400,000.

As of June 30, 2012, the proprietary funds do not have any long-term debt.

The annual requirements, by type of issue, to amortize all long-term debt outstanding except accrued annual leave at June 30, 2012, are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2013	\$ 20,000	\$ 18,375	\$ 38,375
2014	20,000	17,325	37,325
2015	20,000	16,275	36,275
2016	30,000	14,963	44,963
2017	30,000	13,387	43,387
2018-2022	150,000	43,312	193,312
2023-2026	90,000	7,088	97,088
	<u>\$ 360,000</u>	<u>\$ 130,725</u>	<u>\$ 490,725</u>

All significant debt covenants and restrictions as set forth in the bond agreements were complied with.

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
1995 General Obligation School Bond	\$ 380,000	\$ -	\$ 20,000	\$ 360,000	\$ 20,000
School Lease purchase notes	45,129	-	45,129	-	-
Compensated absences	52,961	9,621	-	62,582	-
	<u>\$ 478,090</u>	<u>\$ 9,621</u>	<u>\$ 65,129</u>	<u>\$ 422,582</u>	<u>\$ 20,000</u>

F. Operating Leases

The Town has entered into a lease agreement as a lessee for its copier at the town hall. This lease agreement qualifies as an operating lease for accounting purposes. The lease is for a forty-eight month period with monthly payments of \$140. The future minimum lease payments as of June 30, 2012, were as follows:

TOWN OF ALAMO, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

<u>Year Ended June 30,</u>		
2013	\$	1,680
2014		1,680
2015		980
	<u>\$</u>	<u>4,340</u>

NOTE 5 - OTHER INFORMATION

A. Risk Management

Town of Alamo:

In order to manage its activities so as to minimize its exposure to risks such as torts; theft of or damage to assets; business interruption; job related illness or injuries to employees; and acts of God such as floods or earthquakes, the Town has purchased insurance in amounts that it considers sufficient to retain no significant risk or loss. There have been no settlements that exceeded the amount of insurance coverage in any of the past three fiscal years.

Alamo School System:

The School is exposed to various risks related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the board of education carries commercial insurance. No claims exceeded insurance recoveries during the fiscal year ended June 30, 2012 or in either of the previous two years.

B. Contingent Liabilities and Losses

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time; although, the Town's management expects such amounts, if any, to be immaterial.

C. Employee Retirement Systems and Pension Plans

Town of Alamo:

Plan Description

Employees of Alamo 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. 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 Alamo participate in the TCRS as individual entities and are liable for all costs associated

TOWN OF ALAMO, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

Alamo requires employees to contribute 5.0 percent of earnable compensation.

Alamo is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 7.94% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Alamo is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2012, Alamo's annual pension cost of \$101,181 to TCRS was equal to Alamo'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. Alamo's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 6 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Fiscal Year Ending	Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 101,181	100.00%	\$ -
June 30, 2011	104,763	100.00%	-
June 30, 2010	101,640	100.00%	-

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 88.50 percent funded. The actuarial accrued liability for benefits was \$3.24 million, and the actuarial value of assets was \$2.87 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.37 million. The covered payroll (annual payroll of active employees covered by the plan) \$1.24 million, and the ratio of the UAAL to covered payroll was 29.94 percent.

TOWN OF ALAMO, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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.

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$2,869,000	\$3,241,000	\$ 373,000	88.50%	\$1,245,000	29.94%
July 1, 2009	2,216,000	2,345,000	129,000	94.50%	1,096,000	11.76%
July 1, 2007	2,031,000	2,192,000	161,000	92.66%	947,000	17.00%

Alamo School System:

Plan Description

The Alamo City Schools contributed to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and liability benefits to plan members and their beneficiaries. 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 who are at least 55 years of age or have 25 years of service. 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 a result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute 5.0% of their salary to the plan. The employer contribution rate for Alamo City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2012 was 9.05% of annual covered payroll. The employer contribution requirement for Alamo City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June

TOWN OF ALAMO, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

30, 2012, 2011, and 2010 were \$188,942, \$180,151, and \$133,841, respectively, equal to the required contributions for each year.

D. Prior Period Adjustments - Town

A prior period adjustment for the Town of Alamo, Tennessee was made in the amount of \$86,845 to record estimated costs of the Crescent Oaks roads annexation that was completed July 31, 2007 but was never capitalized. In addition, another prior period adjustment was made in the amount of \$13,606 for prior depreciation on that annexation that was not recorded.

A prior period adjustment for the Town of Alamo, Tennessee was made in the amount of \$40,000 to record costs of a farm (land) that was purchased on March 13, 1971 but was never capitalized.

E. Related Parties - School System

A school board member is the mother of the Director of Schools.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ALAMO, TENNESSEE
SCHEDULE OF FUNDING PROGRESS - EMPLOYEE RETIREMENT SYSTEM
 June 30, 2012

Dollar amounts in thousands

Town - Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	\$ 2,869	\$ 3,241	\$ 372	88.50%	\$ 1,245	29.94%
7/1/2009	\$ 2,216	\$ 2,345	\$ 129	94.50%	\$ 1,096	11.76%
7/1/2007	\$ 2,031	\$ 2,192	\$ 161	92.66%	\$ 947	17.00%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; and, therefore only the most current year is presented.

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION SECTION

**TOWN OF ALAMO, TENNESSEE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2012**

	<u>State Street Aid</u>	<u>Federal Projects</u>	<u>Centralized Cafeteria</u>	<u>Totals</u>
Assets				
Cash and cash equivalents	\$ -	\$ 33,568	\$ 88,118	\$ 121,686
Inventory	-	-	7,500	7,500
Due from other governments	32,004	83,461	14,602	130,067
Total assets	<u>\$ 32,004</u>	<u>\$ 117,029</u>	<u>\$ 110,220</u>	<u>\$ 259,253</u>
Liabilities and fund balances				
Liabilities				
Accrued salaries & wages	\$ -	\$ 36,027	\$ -	\$ 36,027
Fund balances				
Nonspendable:				
Inventory	-	-	1,806	1,806
Restricted:				
Food service - schools	-	-	108,414	108,414
Federal projects	-	81,002	-	81,002
State street aid expenditures	32,004	-	-	32,004
Total fund balances	<u>32,004</u>	<u>81,002</u>	<u>110,220</u>	<u>223,226</u>
Total liabilities and fund balances	<u>\$ 32,004</u>	<u>\$ 117,029</u>	<u>\$ 110,220</u>	<u>\$ 259,253</u>

See independent auditor's report.

TOWN OF ALAMO, TENNESSEE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

	<u>State Street Aid</u>	<u>Federal Projects</u>	<u>Centralized Cafeteria</u>	<u>Totals</u>
Revenues				
Intergovernmental	\$ 63,801	\$ -	\$ -	\$ 63,801
Other State revenue	-	-	3,672	3,672
Payments for meals	-	-	78,301	78,301
USDA revenue	-	-	334,743	334,743
Federal funds from State	-	551,049	-	551,049
Other	-	-	610	610
Total revenues	<u>63,801</u>	<u>551,049</u>	<u>417,326</u>	<u>1,032,176</u>
Expenditures				
Instruction	-	349,144	-	349,144
Support services	-	124,245	-	124,245
Public works	43,207	-	-	43,207
Food service	-	-	410,291	410,291
Capital outlay	-	59,582	-	59,582
Total expenditures	<u>43,207</u>	<u>532,971</u>	<u>410,291</u>	<u>986,469</u>
Net changes in fund balances	20,594	18,078	7,035	45,707
Fund balance - beginning	<u>11,410</u>	<u>62,924</u>	<u>103,185</u>	<u>177,519</u>
Fund balance - ending	<u>\$ 32,004</u>	<u>\$ 81,002</u>	<u>\$ 110,220</u>	<u>\$ 223,226</u>

See independent auditor's report.

TOWN OF ALAMO, TENNESSEE
STATE STREET AID
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Over
				(Under)
Revenues				
Intergovernmental				
State gasoline & motor fuel	\$ 62,000	\$ 62,000	\$ 63,801	\$ 1,801
Expenditures				
Current				
Public Works				
City Streets				
Street lighting	37,000	37,000	37,457	457
Street aid material	90,000	90,000	5,750	(84,250)
Total expenditures	<u>127,000</u>	<u>127,000</u>	<u>43,207</u>	<u>(83,793)</u>
Net change in fund balance	<u>\$ (65,000)</u>	<u>\$ (65,000)</u>	20,594	<u>\$ 85,594</u>
Fund balance - beginning			<u>11,410</u>	
Fund balance - ending			<u>\$ 32,004</u>	

See independent auditor's report.

**TOWN OF ALAMO, TENNESSEE
FEDERAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Revenues				
Grant revenue	\$ 254,095	\$ 274,812	\$ 551,049	\$ 276,237
Expenditures				
Instruction	207,320	207,623	349,144	141,521
Support services	46,325	65,419	124,245	58,826
Capital outlay	-	-	59,582	59,582
Total expenditures	<u>253,645</u>	<u>273,042</u>	<u>532,971</u>	<u>259,929</u>
Net change in fund balance	<u>\$ 450</u>	<u>\$ 1,770</u>	18,078	<u>\$ 16,308</u>
Fund balance - beginning			<u>62,924</u>	
Fund balance - ending			<u>\$ 81,002</u>	

See independent auditor's report.

**TOWN OF ALAMO, TENNESSEE
CENTRALIZED CAFETERIA FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Payments for meals	\$ 72,000	\$ 72,000	\$ 78,301	\$ 6,301
USDA revenue	307,000	307,000	334,743	27,743
Other State revenue	3,500	3,500	3,672	172
Other sources	<u>3,400</u>	<u>3,400</u>	<u>610</u>	<u>(2,790)</u>
Total revenues	<u>385,900</u>	<u>385,900</u>	<u>417,326</u>	<u>31,426</u>
Expenditures:				
Food service	<u>383,877</u>	<u>406,778</u>	<u>410,291</u>	<u>3,513</u>
Net change in fund balance	<u>\$ 2,023</u>	<u>\$ (20,878)</u>	<u>7,035</u>	<u>\$ 27,913</u>
Fund balance - beginning			<u>103,185</u>	
Fund balance - ending			<u>\$ 110,220</u>	

See independent auditor's report.

**TOWN OF ALAMO, TENNESSEE
SOLID WASTE SERVICES
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Revenues				
Garbage Collection Charges	\$ 250,000	\$ 250,000	\$ 259,377	\$ 9,377
Expenditures				
Public Works				
Sanitation				
Sanitation Expense	250,000	250,000	241,711	(8,289)
Net changes in fund balance	\$ -	\$ -	17,666	\$ 17,666
Fund balance - beginning			108,190	
Fund balance - ending			<u>\$ 125,856</u>	

See independent auditor's report.

TOWN OF ALAMO, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
For the Fiscal Year Ended June 30, 2012

<u>Tax Levy for Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Beginning Outstanding Taxes</u>	<u>Additions and Adjustments</u>	<u>Collections</u>	<u>Ending Outstanding Taxes</u>
2012	1.01	\$ 329,564	\$ -	\$ 329,564	\$ -	\$ 329,564
2011	0.99	331,436	315,462	15,878	313,802	17,538
2010	0.99	331,878	30,950	-	21,986	8,964
2009	1.05	325,761	11,921	-	7,935	3,986
2008	1.05	299,592	2,795	-	213	2,582
2007	1.05	300,370	1,368	-	118	1,250
2006	1.05	297,150	1,055	-	105	950
2005	1.05	301,544	385	-	105	280
2004	1.05	283,755	1,290	-	-	1,290
2003	1.12	283,705	-	-	-	-
			<u>\$ 365,226</u>	<u>\$ 345,442</u>	<u>\$ 344,264</u>	<u>\$ 366,404</u>
Above balances represented as follows:						
Considered current revenue						2,876
Deferred revenue						<u>33,964</u>
						36,840
2012 property tax assessment						<u>329,564</u>
Total taxes receivable						<u>\$ 366,404</u>

See independent auditor's report.

TOWN OF ALAMO, TENNESSEE
SCHEDULE OF WATER AND SEWER RATES IN FORCE
 June 30, 2012

Water Division

Inside City Limits

First 2,000 gallons	\$6.50 minimum
Over 2,000 gallons	\$0.20 per 100 gallons \$2.00 per 1,000 gallons

Outside City Limits

First 2,000 gallons	\$7.50 minimum
Over 2,000 gallons	\$0.24 per 100 gallons \$2.40 per 1,000 gallons

Number of Customers

<u>2012</u>	<u>2011</u>
1,214	1,203

Sewer Division

Inside City Limits

First 2,000 gallons	\$6.50 minimum
Over 2,000 gallons	\$0.20 per 100 gallons \$2.00 per 1,000 gallons

Outside City Limits

First 2,000 gallons	\$7.50 minimum
Over 2,000 gallons	\$0.24 per 100 gallons \$2.40 per 1,000 gallons

Number of Customers

<u>2012</u>	<u>2011</u>
1,108	1,095

See independent auditor's report.

TOWN OF ALAMO, TENNESSEE

WATER LOSS SCHEDULE - UNAUDITED

June 30, 2012

AWWA WLCC Free Water Audit Software: Reporting Worksheet

Copyright © 2010, American Water Works Association. All Rights Reserved. WLS-4.02 [Back to](#)

Water Audit Report for: **Alamo Water Department**
 Reporting Year: **2012** 7/2011 - 6/2012

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

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

WATER SUPPLIED << Enter grading in column 'E'

Volume from own sources:	5	112.501	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	5	1.128	under-registered MG/Yr
Water imported:	n/a	0.000	MG/Yr
Water exported:	n/a	0.000	MG/Yr
WATER SUPPLIED:		113.929	MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	7	76.736	MG/Yr
Billed unmetered:	8	0.274	MG/Yr
Unbilled metered:	7	0.113	MG/Yr
Unbilled unmetered:	9	6.777	MG/Yr
AUTHORIZED CONSUMPTION:		83.900	MG/Yr

Click here: [?](#) for help using option buttons below
 Pent: Value:
 Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption) 30.029 MG/Yr

Apparent Losses

Unauthorized consumption:	5	0.285	MG/Yr
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed			
Customer metering inaccuracies:	7	5.784	MG/Yr
Systematic data handling errors:	9	0.767	MG/Yr
Apparent Losses:		6.836	

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

Real Losses (Current Annual Real Losses or CARL)

Real Losses - Water Losses - Apparent Losses:	5	23.193	MG/Yr
WATER LOSSES:		30.029	MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER:	5	36.919	MG/Yr
= Total Water Loss + Unbilled Metered + Unbilled Unmetered			

SYSTEM DATA

Length of mains:	9	29.0	miles
Number of active AND inactive service connections:	7	1,283	
Connection density:	4	44	conn./mile main
Average length of customer service line:	10	0.0	ft. (pipe length between curbstop and customer meter or property boundary)
Average operating pressure:	7	70.0	psi

COST DATA

Total annual cost of operating water system:	8	\$234,646	\$/Year
Customer retail unit cost (applied to Apparent Losses):	8	\$2.69	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	8	\$261.18	\$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	32.44
Non-revenue water as percent by cost of operating system:	11.24
Annual cost of Apparent Losses:	\$18,389
Annual cost of Real Losses:	\$6,057

Operational Efficiency Indicators

Apparent Losses per service connection per day:	14.60	gallons/connection/day
Real Losses per service connection per day*:	49.53	gallons/connection/day
Real Losses per length of main per day*:	N/A	
Real Losses per service connection per day per psi pressure:	0.71	gallons/connection/day/psi
Unavoidable Annual Real Losses (UARL):	Not Valid	

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

From Above, Real Losses - Current Annual Real Losses (CARL):	23.19
Infrastructure Leakage Index (ILI) (CARL/UARL):	N/A

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

WATER AUDIT DATA VALIDITY SCORE:

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

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

PRIORITY AREAS FOR ATTENTION:

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

- 1: Volume from own sources
- 2: Master meter error adjustment
- 3: Billed metered

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

See independent auditor's report.

TOWN OF ALAMO, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT - SCHOOLS
June 30, 2012

Year Ended June 30,	Note Payable- General Obligation Bonds		
	Series 1995		Total
	Principal	Interest	
2013	20,000	18,375	38,375
2014	20,000	17,325	37,325
2015	20,000	16,275	36,275
2016	30,000	14,963	44,963
2017	30,000	13,387	43,387
2018-2022	150,000	43,312	193,312
2023-2026	90,000	7,088	97,088
	\$ 360,000	\$ 130,725	\$ 490,725

See independent auditor's report.

TOWN OF ALAMO, TENNESSEE
SCHEDULE OF SALARIES AND BONDS
June 30, 2012

	<u>Salary</u>	<u>Bond</u>
Tommy Green, Mayor	\$ 9,600	\$ 50,000
Rita Reasons, Recorder, CMFOA designee	37,960	100,000

Note: The Board of Education carries a \$175,000 bond on the treasurer and a \$150,000 blanket bond covering all employees.

See independent auditor's report.

TOWN OF ALAMO, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

	<u>CFDA Number</u>	<u>Pass Through Agency Grant Number</u>	<u>Beginning Balance 7/1/11</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Balance 6/30/12</u>
Department of Housing and Urban Development Passed through Tennessee Department of Economic and Community Development Community Development Block Grant	14.228	GG1134913	\$ -	\$ 70,604	\$ 130,567	\$ (59,963)
Department of Transportation Passed through Tennessee Department of Transportation Alcohol Open Container Requirements	20.607	Z12GHS004	-	1,975	1,975	-
Department of Engery Passed through Tennessee Department of of Economic and Community Development ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	GG1133214	-	84,861	84,861	-
Total Federal Awards			<u>\$ -</u>	<u>\$ 157,440</u>	<u>\$ 217,403</u>	<u>\$ (59,963)</u>

The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of the Town of Alamo, Tennessee, under programs of the federal and state government for the year ended June 30, 2012. The schedule was prepared using the modified accrual basis of accounting.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



Certified Public Accountants
Offices in Tennessee & Kentucky

227 Oil Well Rd.
Jackson, TN 38305

Phone 731.427.8571
Fax 731.424.5701
www.atacpa.net

**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**

Honorable Tommy Green, Mayor
Members of the Board of Aldermen
Town of Alamo, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Alamo, Tennessee (the Town), as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 12, 2013. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the Alamo City School Board of Education, as described in our audit report on the Town's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 12-04 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 12-01, 12-02, 12-03, and 12-05 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are shown in the accompanying schedule of findings and questioned costs as 12-04.

We noted certain matters that we reported to the Town's management in a separate letter dated February 12, 2013.

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

This report is intended for the information and use of the Board of Mayor and Aldermen, management, federal awarding agencies and pass-through entities, and the Comptroller of the Treasury, State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.



Jackson, Tennessee
February 12, 2013

TOWN OF ALAMO, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012

FINANCIAL STATEMENT FINDINGS

Current Year Findings

Town of Alamo

12-02 - Segregation of Duties (Significant Deficiency)

Condition: The Town cannot fully segregate the record-keeping, custodial, and authorization functions of its internal controls due to the size of its staff.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that internal accounting controls are effective.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: We realize the staff size will not allow the Town to completely segregate the duties to the optimum level desired. However, the accounting functions should be segregated as much as possible. Management needs to be aware that this weakness exists in the system of internal accounting control.

Response: Due to the size of the Town, it is not financially feasible to hire an additional employee to help segregate the duties. Management is aware of the situation and is making every effort to devise an arrangement to keep the duties as segregated as possible.

12-03 - Customer Accounts Receivable Not Being Reconciled (Significant Deficiency)

Condition: While testing accounts receivable it was noted that the water and sewer and solid waste accounts receivable listing was not being reconciled to the accounts receivable general ledger.

Criteria: All receivables of the Town should be reconciled to supporting schedules on a monthly basis.

Effect: The Town loses control over an account when it is not reconciled timely which can result in misappropriation of funds.

Recommendation: We recommend that the account be reconciled on a monthly basis in a timely manner.

Response: We will reconcile the receivables on a monthly basis going forward.

TOWN OF ALAMO, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012

12-04 - Grant Compliance and Recordkeeping (Material Weakness and Non-compliance)

Condition: While testing grants, it was noted that the associated revenues and expenses for the ARRA portion of the Energy Efficiency and Conservation Block Grant Program were not segregated within the general ledger as required by state grant.

Criteria: The State of Tennessee Comptroller's Office set forth a set of compliance requirements for all ARRA funds that are passed through the State, otherwise known as TRAM Directives. TRAM Directive number 2 relates to the segregation of revenues and expenses within the general ledger. The ARRA grants also require segregation of financial records.

Effect: We noted that the Town is not in compliance with the ARRA requirements or the TRAM Directives cite by the State of Tennessee Comptroller's Office.

Recommendation: We recommend that the Town review and follow the guidance set forth in the TRAM Directives and by ARRA.

Response: The Town concurs with the finding and recommendations.

12-05 - Town Employee using the Town's Buying Power (Significant Deficiency)

Condition: While testing cash, it was noted that a town employee is using the Town's buying power to purchase parts for personal use. While the Town is being reimbursed for these parts, the employee is receiving the parts at a lower price (due to no sales tax) than if he were purchasing the items himself.

Criteria: Purchases should not be made by the Town for any employee's personal use or benefit.

Effect: The employee is benefiting from the Town's buying power and receiving a benefit from this.

Recommendation: We recommend that the Town's buying power not be used to make purchases for personal use.

Response: We will correct this problem going forward.

TOWN OF ALAMO, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012

Alamo City Schools

12-01 - Cafeteria Fund Inventory (Significant Deficiency)

Condition: Amount recorded for the cafeteria inventory at year end was incorrect.

Criteria: Year physical counts and cost information should be performed on all items in inventory.

Cause: Management failed to reconcile the physical count on the inventory at year end to the amount recorded in the books and records maintained by the School.

Effect: The amount for inventory in the general ledger did not agree to the physical count performed.

Recommendation: Management should ensure that year-end inventories are performed, reconciled to the general ledger and any significant differences accounted for.

Response: We concur and believe this was simply an oversight as a year end physical count was performed. The failure was due to reconciling that counting to the general ledger.

Prior Year Findings

There were no prior year findings reported.