

TOWN OF ALEXANDRIA, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2011

TOWN OF ALEXANDRIA, TENNESSEE

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INTRODUCTORY SECTION

TOWN OF ALEXANDRIA, TENNESSEE

Officials of the Town of Alexandria, Tennessee

June 30, 2011

<u>Name</u>	<u>Title</u>
Elected Officials:	
Maria Baker	Mayor
Maureen Tubbs	Alderman
Derrick Baker	Alderman
Tony Tarpley	Alderman
Pat Jackson	Alderman
Addie Farley	Alderman
Shelia Clayborn	Alderman

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

Independent Auditor's Report

Mayor and Board of Aldermen
Town of Alexandria, Tennessee
Alexandria, Tennessee

I have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the Town of Alexandria, Tennessee as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Alexandria's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business - type activities, and each major fund of the Town of Alexandria, Tennessee as of June 30, 2011, and the respective changes in financial position and the cash flows where applicable, thereof and the respective budgetary comparison for the General Fund, State Street Aid Fund, Drug Fund and Sanitation Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2011 on the consideration of the Town of Alexandria's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

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

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

John R. Poole, CPA

November 30, 2011

TOWN OF ALEXANDRIA, TENNESSEE

Management's Discussion and Analysis

As management of the Town of Alexandria, Tennessee (the Town) 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, 2011. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Town. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the Town of Alexandria exceeded its liabilities at the close of the most recent fiscal year by \$2,517,306. Of this amount, \$253,058 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net assets decreased by \$62,238 during the current year, even as revenues increased by \$55,870, due to higher than expected expenditures. The Utility fund had a decrease in user charges revenues during the current year.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$65,663 an increase of \$39,893 in comparison to the prior year. Revenues were higher in the current year due to increased economic activity. Expenses increased during the current year due to higher personnel costs. During the year the Town purchased \$15,799 in capital assets.

The Town's total debt decreased by \$15,794 during the current fiscal year. The Town's loans were being paid as scheduled.

Overview of the Financial Statements:

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

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 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 government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax and earned but unused vacation leave).

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 of Alexandria include general government, personnel, finance, parks, codes, planning, police, fire, disposal service, program service, streets and public works. The business-type activities of the Town include water and sewer operations. The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The Town of Alexandria, 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 funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, drug fund and the solid waste fund, all of which are considered to be major funds. The Town of Alexandria adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 14-17 and 21-26 of this report. The Town of Alexandria maintains only one type of proprietary fund. It uses an enterprise fund to report the same functions presented in the business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic

statements can be found on pages 18-20 of this report. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-34 of this report.

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Alexandria, assets exceeded liabilities by \$2,517,306 at the close of the most recent fiscal year.

By far the largest portion of the Town's assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt use to acquire those assets that is still outstanding. The 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.

Town of Alexandria's Net Assets- 2011

	Governmental Activities	Business-type Activities
Current and other assets	\$ 210,152	\$ 308,047
Capital assets	<u>340,325</u>	<u>2,383,748</u>
Total assets	550,477	2,691,795
Long-term liabilities outstanding	0	548,066
Other liabilities	<u>144,489</u>	<u>32,411</u>
Total liabilities	144,489	580,477
Net assets:		
Invested in capital assets, net of related debt	340,325	1,842,919
Restricted	50,003	31,001
Unrestricted	<u>15,660</u>	<u>237,398</u>
Total net assets	\$ 405,988	\$2,111,318

Town of Alexandria's Net Assets- 2010

	Governmental Activities	Business-type Activities
Current and other assets	\$ 172,931	\$ 340,579
Capital assets	<u>347,152</u>	<u>2,479,059</u>
Total assets	520,083	2,819,638
Long-term liabilities outstanding	0	549,640
Other liabilities	<u>147,161</u>	<u>63,376</u>
Total liabilities	147,161	613,016
Net assets:		
Invested in capital assets, net of related debt	347,152	1,923,470
Restricted	68,818	31,001
Unrestricted	<u>(43,048)</u>	<u>252,151</u>
Total net assets	\$ 372,922	\$2,206,622

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

Comparison of 2011 and 2010 Governmental Activities and Business-type Activities

	2011 Governmental Activities	2010 Governmental Activities	Total	2011 Business- type Activities	2010 Business- type Activities	Business- type Activities
Revenues:						
Program revenues:						
Charges for services	39,565	63,165	(23,600)	462,757	516,954	(54,197)
Operating grants and contributions	35,902	23,839	12,063	0	0	0
Capital grants and contributions	0	0	0	57,087	0	57,087
General revenues:						
Property taxes	115,440	114,995	445	0	0	0
Sales taxes	106,521	95,358	11,163	0	0	0
Other local taxes	38,120	5,858	32,262	0	0	0
Other state shared taxes	5,385	5,771	(386)	0	0	0
Other	23,223	708	22,515	573	2,055	(1,482)
Total revenues	<u>\$364,156</u>	<u>\$309,694</u>	<u>\$54,462</u>	<u>\$520,417</u>	<u>\$519,009</u>	<u>\$1,408</u>
Expenses:						
General government	100,548	389,043	(288,495)	0	0	0
Police department	175,111	53,548	121,563	0	0	0
Fire department	13,918	10,596	3,322	0	0	0
Senior citizens	4,138	1,914	2,224	0	0	0
Highways and streets	37,375	7,402	29,973	0	0	0
Water and sewer	0	0	0	615,721	590,446	25,275
Total expenses	<u>\$331,090</u>	<u>\$462,503</u>	<u>(\$131,413)</u>	<u>\$615,721</u>	<u>\$590,446</u>	<u>\$25,275</u>
Increases in net assets	33,066	(152,809)	185,875	(95,304)	(71,437)	(23,867)

General Fund Budgetary Highlights

The Town exceeded some of its departmental budgets during the year. Increased costs related to professional services and higher than expected personnel costs were the primary reason for the budget variances. See pages 21-26 for further analysis.

Capital Asset and Debt Administration

Capital Assets

The Town of Alexandria's investment in capital assets from its governmental \$340,325 and business-type activities at June 30, 2011, amounts to \$2,383,748 (net or accumulated depreciation). This investment in capital assets is in land, buildings, improvements, utility system machinery and equipment, park facilities, roads, highways and bridges.

Major capital asset events during the current fiscal year included the following:

* Approximately \$45,678 in utility improvements.

* Purchase of \$15,799 primarily for police equipment.

Town of Alexandria's Capital Assets -2011

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Land	\$ 121,100	\$ 3,358
Buildings and Improvements	1,113,904	4,863,517
Machinery and Equipment	<u>112,362</u>	<u>19,191</u>
Less accumulated depreciation	(1,007,041)	(2,502,318)
Net Capital Assets	\$ <u>340,325</u>	\$ <u>2,383,748</u>

Town of Alexandria's Capital Assets -2010

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Land	\$ 121,100	\$ 3,358
Buildings and Improvements	1,113,904	4,817,839
Machinery and Equipment	<u>164,317</u>	<u>19,191</u>
Less accumulated depreciation	(1,052,169)	(2,361,329)
Net Capital Assets	\$ <u>347,152</u>	\$ <u>2,479,059</u>

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

Long-Term Debt

At the end of the current year, the Town of Alexandria had debt outstanding of \$548,066. The debt is backed by the full faith and credit of the government and the remainder of the debt of the Town represents bonds secured by both the taxing power of the Town and specific revenue sources (i.e., revenue and tax bonds) of the enterprise fund.

The Town's total debt decreased by \$15,794 during the current fiscal year. Additional information on the Town of Alexandria's debt can be found in the notes to the financial statements section of this report.

Economic Factors and Next Year's Budget and Rates

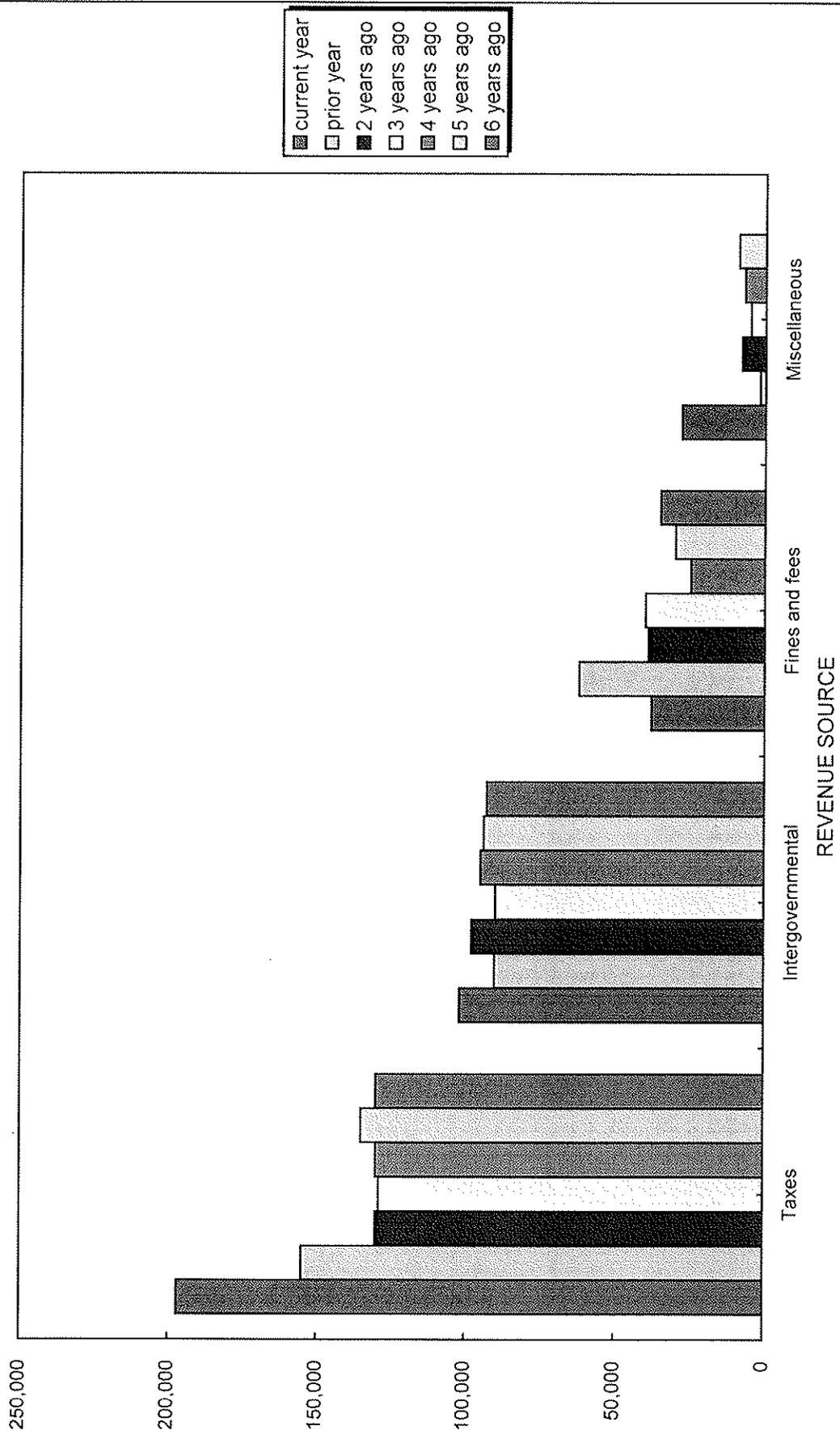
In the 2011-2012 budget, General fund revenues are budgeted to increase from the 2010-2011 budget year primarily due to increases in overall prices. The Town's budget should benefit by an expanding commercial and retail base producing increased local sales tax receipts.

Requests for Information

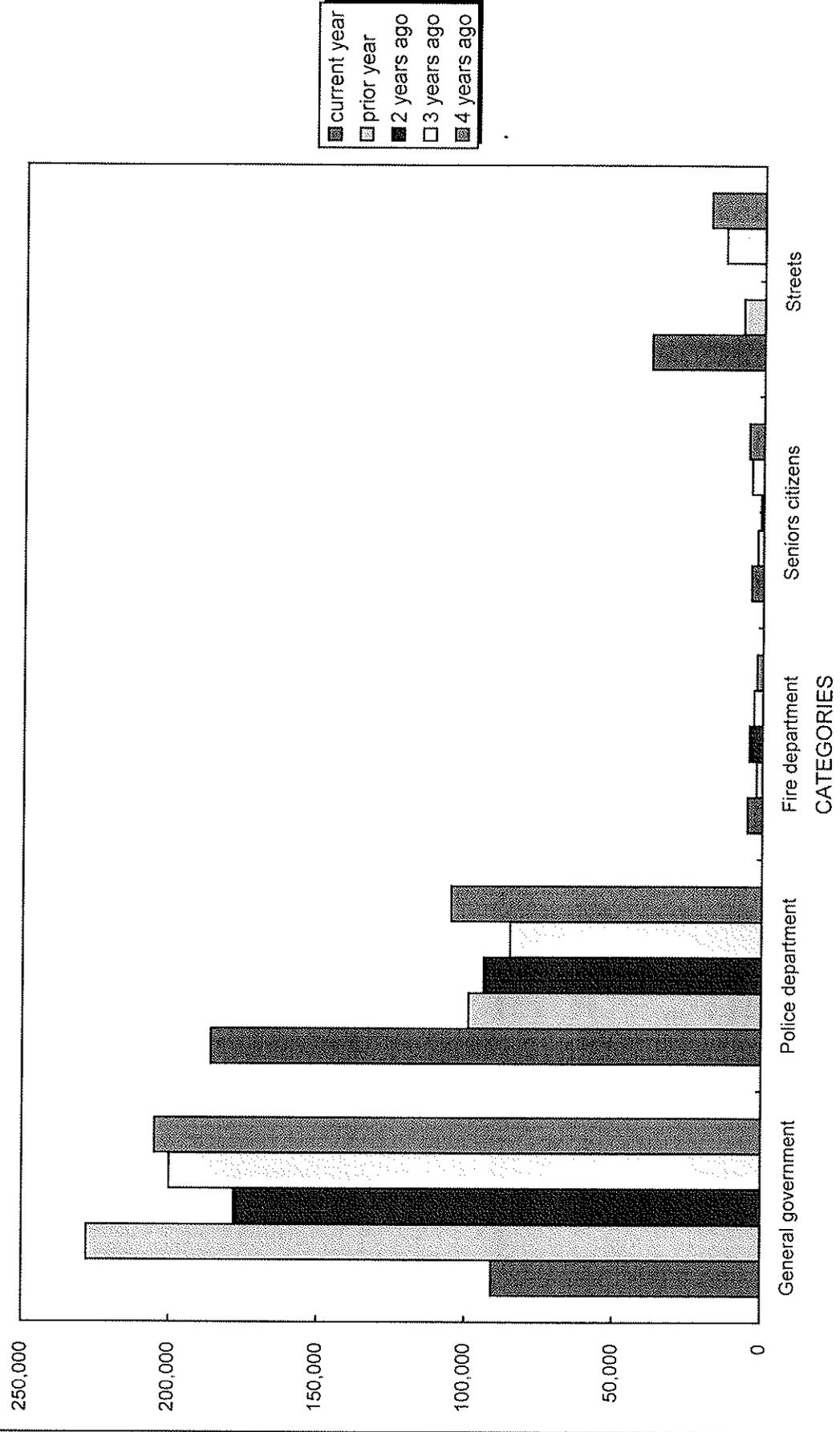
This financial report is designed to provide a general overview of the Town of Alexandria, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed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

Town of Alexandria

**TOWN OF ALEXANDRIA, TENNESSEE
GOVERNMENTAL FUND REVENUES**



**TOWN OF ALEXANDRIA, TENNESSEE
GOVERNMENTAL FUND EXPENDITURES**



BASIC FINANCIAL STATEMENTS

TOWN OF ALEXANDRIA, TENNESSEE

Statement of Net Assets

June 30, 2011

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	169,162	123,103	292,265
Cash and cash equivalents - restricted	0	31,001	31,001
Certificates of deposit	0	10,235	10,235
Receivables:			
Internal balances	148,393	29,068	177,461
Other assets	(107,403)	107,403	0
Capital assets not being depreciated	121,100	82,514	203,614
Capital assets, net of accumulated depreciation	219,225	2,301,234	2,520,459
Total Assets	<u>550,477</u>	<u>2,691,795</u>	<u>3,242,272</u>
Liabilities			
Accounts payable	3,736	29,878	33,614
Accrued expenses	6,009	2,533	8,542
Deferred revenue	134,744	0	134,744
Long-term liabilities:			
Due within one year	0	16,572	16,572
Due in more than one year	0	531,494	531,494
Total Liabilities	<u>144,489</u>	<u>580,477</u>	<u>724,966</u>
Net assets:			
Investments in capital assets, net of related debt	340,325	1,842,919	2,183,244
Restricted	0	31,001	31,001
Restricted - state street aid funds	42,808	0	42,808
Restricted - drug funds	7,195	0	7,195
Unrestricted	15,660	237,398	253,058
Total Net Assets	<u>405,988</u>	<u>2,111,318</u>	<u>2,517,306</u>

See accompanying notes to financial statements.

TOWN OF ALEXANDRIA, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2011

Function/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Government Activities:							
General government	100,548	1,310	9,351	0	(89,887)	0	(89,887)
Senior citizens	4,138	0	0	0	(4,138)	0	(4,138)
Police department	175,111	38,255	2,553	0	(134,303)	0	(134,303)
Fire department	13,918	0	0	0	(13,918)	0	(13,918)
Sanitation	0	0	0	0	0	0	0
Highways and streets	37,375	0	23,998	0	(13,377)	0	(13,377)
Total Governmental Activities	331,090	39,565	35,902	0	(255,623)	0	(255,623)
Business - type Activities:							
Water and Sewer	615,721	462,757	0	57,087	0	(95,877)	(95,877)
Total Business Type Activities	615,721	462,757	0	57,087	0	(95,877)	(95,877)
Total	946,811	502,322	35,902	57,087	(255,623)	(95,877)	(351,500)
General Revenues:							
Property taxes				86,733	0	0	86,733
Public utilities tax				28,707	0	0	28,707
Sales taxes				106,521	0	0	106,521
Alcohol taxes				30,940	0	0	30,940
Cable franchise				7,180	0	0	7,180
Income and excise tax				5,385	0	0	5,385
Other				23,223	573	573	23,796
Total general revenues				288,689	573	573	289,262
Changes in net assets				33,066	(95,304)		(62,238)
Net assets - beginning of year				372,922	2,206,622		2,579,544
Net assets - ending of year				405,988	2,111,318		2,517,306

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

TOWN OF ALEXANDRIA, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2011

	General Fund	State Street Aid Fund	Sanitation Fund	Drug Fund	Total Governmental Funds
<u>Assets</u>					
Cash and cash equivalents	\$121,304	\$40,663	\$0	\$7,195	\$169,162
Property tax receivable	127,229	0	0	0	127,229
Accounts receivable	16,290	4,874	0	0	21,164
Total Assets	<u>\$264,823</u>	<u>\$45,537</u>	<u>\$0</u>	<u>\$7,195</u>	<u>\$317,555</u>
<u>Liabilities and Fund Equity</u>					
Liabilities:					
Accounts payable	\$3,033	\$703	\$0	\$0	\$3,736
Accrued expenses	6,009	0	0	0	6,009
Due to other funds	107,403	0	0	0	107,403
Deferred revenue	132,718	2,026	0	0	134,744
Total Liabilities	<u>249,163</u>	<u>2,729</u>	<u>0</u>	<u>0</u>	<u>251,892</u>
Fund Equity:					
Fund balance:					
Unassigned	(7,933)	0	0	0	(7,933)
Assigned - Industrial park	19,680	0	0	0	19,680
Assigned - Cemetery	3,913	0	0	0	3,913
Unreserved	0	42,808	0	7,195	50,003
Total Fund Balance	<u>15,660</u>	<u>42,808</u>	<u>0</u>	<u>7,195</u>	<u>65,663</u>
Total Liabilities and Fund Equity	<u>\$264,823</u>	<u>\$45,537</u>	<u>\$0</u>	<u>\$7,195</u>	<u>\$317,555</u>

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

TOWN OF ALEXANDRIA, TENNESSEE

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

June 30, 2011

Amounts reported for fund balance - total governmental funds	\$ 65,663
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	<u>340,325</u>
Net assets of governmental activities	\$ <u><u>405,988</u></u>

TOWN OF ALEXANDRIA, TENNESSEE

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2011

	General Fund	State Street Aid Fund	Sanitation Fund	Drug Fund	Total Governmental Funds
Revenues:					
Taxes	196,565	0	0	0	196,565
Intergovernmental	77,605	23,998	0	0	101,603
Fines and fees	33,490	0	0	4,765	38,255
Miscellaneous	27,693	0	0	40	27,733
Total Revenues	<u>\$335,353</u>	<u>\$23,998</u>	<u>\$0</u>	<u>4,805</u>	<u>364,156</u>
Expenditures:					
Current:					
General government	90,935	0	0	0	90,935
Senior citizens	4,138	0	0	0	4,138
Police department	170,231	0	0	1,043	171,274
Fire department	4,742	0	0	0	4,742
Highway and streets	0	37,375	0	0	37,375
Capital outlay					
Police department	6,599	0	0	9,200	15,799
Total Expenditures	<u>\$276,645</u>	<u>\$37,375</u>	<u>\$0</u>	<u>10,243</u>	<u>324,263</u>
Excess (deficiency) of revenues over expenditures	<u>58,708</u>	<u>(13,377)</u>	<u>0</u>	<u>(5,438)</u>	<u>39,893</u>
Operating transfer	3,298	0	(3,298)	0	0
Net change in fund balance	<u>62,006</u>	<u>(13,377)</u>	<u>(3,298)</u>	<u>(5,438)</u>	<u>39,893</u>
Fund Balance, Beginning of year	(46,346)	56,185	3,298	12,633	25,770
Fund Balance, End of Year	<u>\$15,660</u>	<u>\$42,808</u>	<u>\$0</u>	<u>\$7,195</u>	<u>\$65,663</u>

See accompanying notes to financial statements.

TOWN OF ALEXANDRIA, TENNESSEE

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

For the Year Ended June 30, 2011

Net change in fund balances - total governmental funds: \$ 39,893

Amounts reported for governmental activities in the statement of net
assets are different because:

Governmental funds report capital outlays as expenditures. However, in the statement
of activities the cost of those assets is allocated over their estimated useful lives and
reported as depreciation expense.

Acquisition of capital assets	15,799
Depreciation expense	<u>(22,626)</u>

Change in net assets of governmental activities \$ 33,066

TOWN OF ALEXANDRIA, TENNESSEE

Statement of Net Assets

Utility Fund

June 30, 2011

Assets

Current Assets:

Cash and cash equivalents	\$123,103
Certificate of deposits	10,235
Due from funds	107,403
Customer accounts receivable, net of allowance of \$19,452	29,068
Total Current Assets	<u>269,809</u>

Capital Assets:

Utility plant in service	4,806,910
Construction in progress	79,156
Less accumulated depreciation	(2,502,318)
Total Capital Assets, Net	<u>2,383,748</u>

Other Assets:

Bond issuance costs	<u>7,237</u>
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Restricted Assets:

Cash and cash equivalents	<u>31,001</u>
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Total Assets	<u>\$2,691,795</u>
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Liabilities and Fund Equity

Current Liabilities (payable from current assets):

Accounts payable	\$29,878
Accrued liabilities	2,533
Current portion of long-term debt	16,572
Total Current Liabilities (payable from current assets)	<u>48,983</u>

Long-Term Debt	<u>531,494</u>
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Total Liabilities	<u>\$580,477</u>
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Net Assets:

Invested in capital assets, net of related debt	1,842,919
Restricted	31,001
Unrestricted	237,398

Total Net Assets	<u>\$2,111,318</u>
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The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF ALEXANDRIA, TENNESSEE

Statement of Revenues, Expenses
and Changes in Net Assets

Utility Fund

For the Year Ended June 30, 2011

Operating Revenues:	
Metered sales	\$462,757
Total Operating Revenues	<u>462,757</u>
Operating Expenses:	
Salaries	18,273
Payroll taxes	1,677
Dues	1,869
Water purchased	227,422
Repair and maintenance	4,499
Contract services	89,451
Supplies	31,640
Utilities	46,571
Office expense	5,604
Professional services	9,571
Insurance	11,050
Amortization	1,034
Depreciation	140,988
Miscellaneous	370
Total Operating Expenses	<u>590,019</u>
Operating income (loss)	<u>(127,262)</u>
Nonoperating Revenues (Expenses):	
Interest expense	(25,702)
State reimbursement	57,087
Interest income	573
Total Nonoperating Revenues (Expenses)	<u>31,958</u>
Net change in assets	(95,304)
Net Assets, July 1, 2010	<u>2,206,622</u>
Net Assets, June 30, 2011	<u>\$2,111,318</u>

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

TOWN OF ALEXANDRIA, TENNESSEE

Statement of Cash Flows

Proprietary Fund Type

Utility Fund

For the Year Ended June 30, 2011

Cash Flows from Operating Activities:	
Cash received from customers	475,443
Cash paid to employees	(19,950)
Cash paid to suppliers	(445,189)
Net Cash Provided by Operating Activities	<u>10,304</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of plant and equipment	(45,678)
State reimbursement	57,087
Interest paid	(25,702)
Repayment of debt	(15,794)
Net Cash Used by Capital and Related Financing Activities	<u>(30,087)</u>
Cash Flows from Investing Activities:	
Interest received	573
Net Cash Provided by Investing Activities	<u>573</u>
Net Increase in Cash	(19,210)
Cash and Cash Equivalents, July 1, 2010	173,314
Cash and Cash Equivalents, June 30, 2011	<u>154,104</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	(127,262)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	142,022
Change in assets (increase) decrease:	
Accounts receivable	12,686
Change in liabilities increase (decrease):	
Accounts payable and accrued liabilities	(16,744)
Due to other funds	(398)
Net Cash Provided by Operating Activities	<u>10,304</u>

See accompanying notes to financial statements.

TOWN OF ALEXANDRIA, TENNESSEE

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

General Fund

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Taxes:				
Property taxes	\$91,546	\$91,546	\$86,733	(4,813)
Public utility taxes	9,358	9,358	19,546	10,188
Local sales tax	29,909	29,909	52,591	22,682
Beer tax	24,000	24,000	30,515	6,515
Cable franchise fee	0	0	7,180	7,180
Total Taxes	<u>154,813</u>	<u>154,813</u>	<u>196,565</u>	<u>41,752</u>
Intergovernmental:				
TVA in lieu	6,000	6,000	9,161	3,161
State sales tax	54,000	54,000	53,930	(70)
State excise tax	5,000	5,000	5,214	214
State income tax	0	0	171	171
State beer tax	0	0	425	425
State grants	8,000	8,000	8,704	704
Total Intergovernmental Revenue	<u>73,000</u>	<u>73,000</u>	<u>77,605</u>	<u>4,605</u>
Fines	<u>72,500</u>	<u>72,500</u>	<u>33,490</u>	<u>(39,010)</u>
Miscellaneous:				
Insurance proceeds	20,000	20,000	20,562	562
Donations	3,000	3,000	3,200	200
Rentals	1,000	1,000	1,310	310
Miscellaneous	0	0	2,621	2,621
Total Miscellaneous	<u>24,000</u>	<u>24,000</u>	<u>27,693</u>	<u>3,693</u>
Total Revenues	<u>324,313</u>	<u>324,313</u>	<u>335,353</u>	<u>11,040</u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Expenditures:				
General Government:				
Current:				
Personnel costs	\$49,000	\$49,000	\$35,252	(13,748)
Payroll taxes	4,000	4,000	2,927	(1,073)
Supplies	10,000	10,000	4,145	(5,855)
Utilities	4,000	4,000	12,973	8,973
Professional services	29,000	29,000	10,651	(18,349)
Maintenance and repair	7,909	7,909	3,514	(4,395)
Insurance	24,000	24,000	17,726	(6,274)
Industrial development	20,632	20,632	0	(20,632)
Election	2,000	2,000	0	(2,000)
Miscellaneous	5,140	5,140	3,747	(1,393)
	<u>155,681</u>	<u>155,681</u>	<u>90,935</u>	<u>(64,746)</u>
Capital outlay	0	0	0	0
Total General Government	<u>155,681</u>	<u>155,681</u>	<u>90,935</u>	<u>(64,746)</u>
Senior Citizens:				
Current:				
Supplies	\$1,000	\$1,000	\$1,000	0
Utilities	4,000	4,000	3,138	(862)
Maintenance and repair	0	0	0	0
	<u>5,000</u>	<u>5,000</u>	<u>4,138</u>	<u>(862)</u>
Capital outlay	0	0	0	0
Total Senior Citizens	<u>5,000</u>	<u>5,000</u>	<u>4,138</u>	<u>(862)</u>

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

TOWN OF ALEXANDRIA, TENNESSEE

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

General Fund

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Expenditures:				
Public Safety:				
Police department:				
Salaries	\$84,750	\$84,750	\$115,654	30,904
Dekalb 911	\$25,992	\$25,992	\$25,992	0
Supplies	10,500	10,500	12,325	1,825
Maintenance and repair	3,000	3,000	4,578	1,578
Vehicle expenses	23,000	23,000	11,195	(11,805)
Miscellaneous	0	0	487	487
	147,242	147,242	170,231	22,989
Capital outlay	0	0	6,599	6,599
Total Police department	147,242	147,242	176,830	29,588
Fire department:				
Supplies	4,000	4,000	3,503	(497)
Miscellaneous	1,000	1,000	1,239	239
	5,000	5,000	4,742	(258)
Capital outlay	0	0	0	0
Total Fire department	5,000	5,000	4,742	(258)
Total Expenditures	312,923	312,923	276,645	(36,278)
Excess (deficiency) of Revenues over Expenditures	11,390	11,390	58,708	47,318
Operating transfer in	0	0	3,298	3,298
Net change in fund balance	11,390	11,390	62,006	50,616
Fund Balance, July 1, 2010	(46,346)	(46,346)	(46,346)	0
Fund Balance, June 30, 2011	(\$34,956)	(\$34,956)	\$15,660	\$50,616

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

TOWN OF ALEXANDRIA, TENNESSEE

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

State Street Aid Fund

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Intergovernmental:				
State gasoline tax	36,162	36,162	23,998	(12,164)
Miscellaneous:				
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>36,162</u>	<u>36,162</u>	<u>23,998</u>	<u>(12,164)</u>
Expenditures:				
Streets:				
Utilities	11,162	11,162	11,428	(266)
Vehicle expense	3,000	3,000	3,073	(73)
Maintenance and supplies	12,000	12,000	12,303	(303)
Insurance	10,000	10,000	10,571	(571)
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>36,162</u>	<u>36,162</u>	<u>37,375</u>	<u>(1,213)</u>
Excess (deficiency) of revenues over expenditures	0	0	(13,377)	13,377
 Fund Balance, July 1, 2010	 <u>56,185</u>	 <u>56,185</u>	 <u>56,185</u>	 <u>-</u>
Fund Balance, June 30, 2011	<u><u>\$56,185</u></u>	<u><u>\$56,185</u></u>	<u><u>42,808</u></u>	<u><u>(13,377)</u></u>

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

TOWN OF ALEXANDRIA, TENNESSEE

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

Sanitation Fund

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Miscellaneous:	0	0	0	0
Total Revenues	0	0	0	0
Expenditures:				
Supplies	0	0	0	0
Total Expenditures	0	0	0	0
Excess (deficiency) of revenues over expenditures	0	0	0	0
Operating transfer	0	0	3,298	
Fund Balance, July 1, 2010	3,298	3,298	3,298	-
Fund Balance, June 30, 2011	<u>\$3,298</u>	<u>\$3,298</u>	<u>0</u>	<u>0</u>

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

TOWN OF ALEXANDRIA, TENNESSEE

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

Drug Fund

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Fines and seizures	\$0	\$0	4,765	4,765
Miscellaneous:				
Interest	<u>0</u>	<u>0</u>	<u>40</u>	<u>40</u>
Total Revenues	<u>0</u>	<u>0</u>	<u>4,805</u>	<u>4,805</u>
Expenditures:				0
Supplies	0	0	1,043	(1,043)
Capital outlay	<u>0</u>	<u>0</u>	<u>9,200</u>	<u>(9,200)</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>10,243</u>	<u>(10,243)</u>
Excess (deficiency) of revenues over expenditures	0	0	(5,438)	5,438
Fund Balance, July 1, 2010	<u>12,633</u>	<u>12,633</u>	<u>12,633</u>	<u>-</u>
Fund Balance, June 30, 2011	<u><u>\$12,633</u></u>	<u><u>\$12,633</u></u>	<u><u>7,195</u></u>	<u><u>(5,438)</u></u>

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

TOWN OF ALEXANDRIA, TENNESSEE

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

The Town of Alexandria, Tennessee, was incorporated under the Private Act of the Tennessee General Assembly. The Town provides the following services, as authorized by its charter and duly passed ordinances: public safety (police and fire), water and sewer, streets, recreations, public improvements, and general administrative services. The accounting policies of the Town of Alexandria, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity:

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

Accounting Pronouncements:

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

Government -Wide and Fund Financial Statements

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

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

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

TOWN OF ALEXANDRIA, TENNESSEE

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies, Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes and most other governmental revenues as available if received within 60 days of year end. Expenditures are recorded generally when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

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

The government reports the following major funds:

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

State Street Aid Fund - To account for the receipt and usage of the Town's share of State gasoline taxes. State law requires these gasoline taxes to be used to maintain streets.

Sanitation Fund - To account for the activity of the Town's waste collection department.

Drug Fund- To account for the activities of the drug education and investigative operations.

The government reports the following major proprietary fund:

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

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

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

TOWN OF ALEXANDRIA, TENNESSEE

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies, Continued

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

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

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

Cash and Cash Equivalents

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

Receivables and Payables

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

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

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

Property Tax

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

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

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

Taxes were levied at a rate of \$0.7615 per \$100 of assessed valuation for the fiscal year ended June 30, 2011.

Payments may be made during the period from October 1 through February 28. Current tax collections of \$93,936 for the fiscal year ended June 30, 2011 were approximately 90 percent of the tax levy.

Delinquent taxes are turned over to the County Clerk for collection as required by the Town's Municipal Code.

TOWN OF ALEXANDRIA, TENNESSEE

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies, Continued

Capital Assets

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

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

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

The estimated useful lives are as follows:

Infrastructure	40-50 years
Buildings	10-50 years
Utility Plant in Service	10-50 years
Furniture and Equipment	5-10 years

Inventory

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

Compensated Absences

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

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 and are presented in the accompanying financial statements as other assets.

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.

Bond Issue Costs

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. When unrestricted funds are used the Town uses committed, assigned then unassigned funds.

TOWN OF ALEXANDRIA, TENNESSEE

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies, Continued

Estimates

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

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

Fund Balances

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

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

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

Budgets and Budgetary Accounting

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

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

During the year the Town exceeded the following departmental budgets:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Police department	\$147,242	176,830	29,588
Drug Fund	0	10,243	10,243

TOWN OF ALEXANDRIA, TENNESSEE

Notes to Financial Statements, Continued

(2) Cash and Cash Equivalents

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

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

(3) Accounts Receivable

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

<u>Fund</u>	<u>Other Governments</u>	<u>Property Taxes</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	16,290	127,229	-	143,519
Special Revenue Funds	4,874	-	-	4,874
Enterprise Fund	-	-	48,520	48,520
Less allowance for doubtful accounts	-	-	(19,452)	(19,452)
Total	<u>21,164</u>	<u>127,229</u>	<u>29,068</u>	<u>177,461</u>

(4) Capital Assets

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

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Land and land rights	\$ 121,100	-	-	121,100
Buildings and improvements	1,113,904	-	-	1,113,904
Equipment and vehicles	164,317	15,799	67,754	112,362
Total	<u>1,399,321</u>	<u>15,799</u>	<u>67,754</u>	<u>1,347,366</u>
Less Accumulated depreciation)	(1,052,169)			(1,007,041)
Net capital assets in service	\$ <u>347,152</u>			<u>340,325</u>

All assets except land and land rights with a cost of \$121,100 are being depreciated.

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

General Fund:	
General government administration	\$ 9,613
Police department	3,837
Fire department	9,176
Total	\$ <u>22,626</u>

TOWN OF ALEXANDRIA, TENNESSEE

Notes to Financial Statements, Continued

(4) Capital Assets, Continued

A summary of changes in Utility Fund property, plant and equipment and related accumulated depreciation follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Disposal</u>	<u>Balance</u> <u>June 30, 2011</u>
Utility plant	\$ 4,784,361	-	-	4,784,361
Construction in progress	33,478	45,678	-	79,156
Equipment	19,191	-	-	19,191
Land	3,358	-	-	3,358
	<u>4,840,388</u>	<u>45,678</u>	<u>-</u>	<u>4,886,066</u>
Less accumulated depreciation	<u>(2,361,329)</u>			<u>(2,502,318)</u>
Net plant in service	\$ <u>2,479,059</u>			<u>2,383,748</u>

All assets except land of \$3,358 and construction in progress of \$79,156 is being depreciated. Depreciation expense was \$140,988 in 2011.

(5) Bonds and Notes Payable

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

	<u>Balance</u> <u>July 1,</u> <u>2010</u>	<u>Addi-</u> <u>tions</u>	<u>Retire-</u> <u>ments</u>	<u>Balance</u> <u>June 30,</u> <u>2011</u>
Bonds and Loan Payable:				
1987 Series Bonds	92,757	-	(7,872)	84,885
1999 Series Bonds	80,529	-	(1,469)	79,060
2001 Series Bonds	300,356	-	(4,963)	295,393
2001A Series Bonds	<u>90,218</u>	<u>-</u>	<u>(1,490)</u>	<u>88,728</u>
Total	563,860	-	(15,794)	548,066

The repayment of principal and interest on these bonds is secured by the revenue of the Utility fund, and in the event such revenue is insufficient therefore, the bonds shall be payable from ad valorem taxes to be levied on all taxable property within the corporate limit of the municipality without limitations as to time rate or amount. The Town ordinances provide that the revenue of the sewer system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue and tax bonds. Any remaining revenue from the Utility system may then be used for any lawful purpose.

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2011 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2012	16,572	25,201
2013	17,380	24,470
2014	18,228	23,704
2015	19,117	22,900
2016	20,049	22,057
2017-2021	95,992	96,831
2022-2026	71,684	81,743
2027-2031	89,828	67,286
2032-2036	112,711	49,186
2037-2040	86,505	7,485
Total	<u>548,066</u>	<u>420,863</u>

TOWN OF ALEXANDRIA, TENNESSEE

Notes to Financial Statements, Continued

(6) Contributed Capital - Enterprise Fund

In accordance with GASB No. 33 the Town no longer records contributed capital from customer tap fees and grants from other governments. The Town has reclassified the contributed capital to the net asset accounts in the equity section of the balance sheet.

(7) Due to/from other funds

The Utility Fund paid certain amounts on behalf of the General Fund (\$107,403). This amount due to the Utility Fund will be reduced during the next fiscal year.

(8) Risk Management

The Town of Alexandria is exposed to various risks to general liability and property and casualty losses. The Town has decided to purchase commercial insurance for general liability and property and casualty coverage. Any risks not covered as shown in the schedule of insurance are uninsured and that risk of loss is retained by the Town. The Town has not had claims in excess of insurance coverage during the last three years.

(9) Commitments and Contingencies

Litigation:

There are no pending lawsuits in which the Town is involved which are financially material to the financial statements.

Grants:

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

SUPPLEMENTAL INFORMATION

TOWN OF ALEXANDRIA, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Changes in Capital Assets - By Type

	June 30, 2011			
Capital Assets:	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Land and land rights	\$121,100	0	0	121,100
Building and improvements	1,113,904	0	0	1,113,904
Equipment and vehicles	<u>164,317</u>	<u>15,799</u>	<u>67,754</u>	<u>112,362</u>
Total capital assets	<u>\$1,399,321</u>	<u>15,799</u>	<u>67,754</u>	<u>1,347,366</u>

TOWN OF ALEXANDRIA, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Capital Assets by Function and Activity

June 30, 2011

Capital Assets:	<u>Land and Land Rights</u>	<u>Buildings and Improvements</u>	<u>Equipment and Vehicles</u>	<u>Total</u>
General Government	\$121,100	1,113,904	6,000	1,241,004
Police department	0	0	45,474	45,474
Fire department	0	0	35,511	35,511
Public works	0	0	4,377	4,377
Parks department	0	0	21,000	21,000
Sanitation	0	0	0	0
Total capital assets	<u>\$121,100</u>	<u>1,113,904</u>	<u>112,362</u>	<u>1,347,366</u>

TOWN OF ALEXANDRIA, TENNESSEE

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

June 30, 2011

	<u>Carrying Value</u>
General Fund:	
Demand deposits	121,304
Total General Fund	<u>121,304</u>
State Street Aid Fund:	
Demand deposits	40,663
Total State Street Aid Fund	<u>40,663</u>
Drug Fund:	
Demand deposits	7,195
Total Drug Fund	<u>7,195</u>
Utility Fund:	
Demand deposits	154,104
Certificate of Deposit	10,235
Total Utility Fund	<u>164,339</u>
Total - All funds	<u>\$333,501</u>

TOWN OF ALEXANDRIA, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2011

<u>Tax Year</u>	<u>Balance July 1, 2010</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2011</u>
2011	\$ -	95,853	0	95,853
2010	95,853	9,129	93,936	11,046
2009	10,052	0	0	10,052
2008	5,202	0	0	5,202
2007	5,076	0	0	5,076
2006	6,128	0	6,128	0
2005	2,835	0	2,835	0
2004	4,763	0	4,763	0
	<u>\$129,909</u>	<u>104,982</u>	<u>107,662</u>	<u>127,229</u>

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Tax Adjustment and Collections</u>	<u>Outstanding Delinquent Taxes</u>
2011	\$ 0.7615	\$ 95,853	\$ 0	\$ 95,853
2010	0.7615	104,982	93,936	11,046
2009	0.7615	95,853	94,985	10,052
2008	0.7615	95,459	87,905	5,202
2007	0.85	95,710	90,634	5,076
2006	0.85	97,548	97,548	0
2005	0.85	105,681	105,681	0
2004	0.80	103,683	103,683	0
2003	0.80	96,000	96,000	0
2002	0.80	96,197	96,197	0

All delinquent taxes except 2010 tax year have been submitted to the clerk and master for collection.

TOWN OF ALEXANDRIA, TENNESSEE

Schedule of Debt Service Requirements - Utility Fund

June 30, 2011

Year	1987 SERIES BONDS		1999 SERIES BONDS		2001 SERIES BONDS		2001A SERIES BONDS		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	8,281	4,055	1,605	3,976	5,144	13,204	1,542	3,966	16,572	25,201
2013	8,705	3,631	1,682	3,976	5,380	12,968	1,613	3,895	17,380	24,470
2014	9,150	3,186	1,764	3,976	5,627	12,721	1,687	3,821	18,228	23,704
2015	9,618	2,718	1,849	3,976	5,886	12,462	1,764	3,744	19,117	22,900
2016	10,110	2,226	1,938	3,976	6,156	12,192	1,845	3,663	20,049	22,057
2017	10,628	1,708	2,032	3,976	6,439	11,909	1,930	3,578	21,029	21,171
2018	11,171	1,165	2,131	3,976	6,734	11,614	2,019	3,489	22,055	20,244
2019	11,743	593	2,234	3,976	7,044	11,304	2,111	3,397	23,132	19,270
2020	5,479	73	2,342	3,976	7,367	10,981	2,208	3,300	17,396	18,330
2021	-	-	2,364	3,976	7,706	10,642	2,310	3,198	12,380	17,816
2022	-	-	2,665	3,976	8,060	10,288	2,416	3,092	13,141	17,356
2023	-	-	2,698	3,976	8,430	9,918	2,527	2,981	13,655	16,875
2024	-	-	2,829	3,976	8,817	9,531	2,643	2,865	14,289	16,372
2025	-	-	2,966	3,976	9,223	9,125	2,764	2,744	14,953	15,845
2026	-	-	3,109	3,976	9,646	8,702	2,891	2,617	15,646	15,295
2027	-	-	3,260	3,976	10,089	8,259	3,024	2,484	16,373	14,719
2028	-	-	3,417	3,976	10,553	7,795	3,163	2,345	17,133	14,116
2029	-	-	3,583	3,976	11,038	7,310	3,308	2,200	17,929	13,486
2030	-	-	3,756	3,976	11,545	6,803	3,460	2,048	18,761	12,827
2031	-	-	3,938	3,976	12,075	6,273	3,619	1,889	19,632	12,138
2032	-	-	4,128	3,976	12,630	5,718	3,786	1,722	20,544	11,416
2033	-	-	4,328	3,976	13,210	5,138	3,959	1,549	21,497	10,663
2034	-	-	4,537	3,976	13,817	4,531	4,141	1,367	22,495	9,874
2035	-	-	4,757	3,976	14,452	3,896	4,332	1,176	23,541	9,048
2036	-	-	4,987	3,976	15,116	3,232	4,531	977	24,634	8,185
2037	-	-	4,161	80	15,810	2,538	4,739	769	24,710	3,387
2038	-	-	-	-	16,536	1,812	4,956	552	21,492	2,364
2039	-	-	-	-	17,296	1,052	5,184	324	22,480	1,376
2040	-	-	-	-	13,567	271	4,256	87	17,823	358
	\$ 84,885	19,355	79,060	99,480	295,393	232,189	88,728	69,839	548,066	420,863

TOWN OF ALEXANDRIA, TENNESSEE

Schedule of Insurance Coverage

June 30, 2011

<u>Type of Coverage</u>	<u>Detail Coverage</u>	
<u>Business Property</u>	Buildings	various
	Contents	various
	Police equipment	various
<u>General liability</u>	Law enforcement	1,000,000
<u>Workers' compensation</u>		Statutory
<u>Public Official Liability</u>		1,000,000
<u>Public Official Bond</u>	Mayor	100,000
	City Recorder	100,000

TOWN OF ALEXANDRIA, TENNESSEE

Schedule of Utility Rates and Information

Utility Fund

June 30, 2011

Water and Sewer rates:- Inside City- Residential

Minimum 2,000 gallons	12.50
Over 2,000 gallons	\$4.00 per thousand gallons

Water and Sewer rates:- Outside City - Residential

Minimum 2,000 gallons	18.75
Over 2,000 gallons	\$6.00 per thousand gallons

At yearend, the Town had 821 Water customers and 363 Sewer customers.

In the fiscal year 2012 the Town increased its Water and Sewer rates.

*

TOWN OF ALEXANDRIA, TENNESSEE

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2011

CFDA Number	State Grant Number	Program Name	Grantor Agency	Receivable (Deferred) Balance June 30, 2010	Grant Receipts	Other Receipts	Grant Expenditures	Receivable (Deferred) Balance June 30, 2011
Federal Program:								
N/A	FEMA1909DRTN	Presidential Declaration FEMA Severe Flooding and Storms	Tennessee Department of Transportation	\$0	6,151	0	6,151	0
State Program:								
N/A	Z08025716	Highway Safety	Tennessee Department of Transportation	\$549	3,102	0	2,553	0
Totals				549	9,253	0	8,704	0

Town of Alexandria
 Schedule of Unaccounted For Water
 July, 2010 to June, 2011

(All amounts in gallons)

A Water Treated and Purchased		
B	Water Pumped (potable)	0
C	Water Purchased	82,091,283
D	Total Water Treated and Purchased (Sum Lines B and C)	82,091,283
E Accounted for Water:		
F	Water Sold	0
G	Metered for Consumption (in house usage)	40,344,400
H	Fire Department(s) Usage	31,300
I	Flushing	271,719
J	Tank Cleaning/Filling	0
K	Street Cleaning	0
L	Bulk Sales	0
M	Water Bill Adjustments	0
N	Total Accounted for Water (Sum Lines F thru M)	40,647,419
O	Unaccounted for Water (Line D minus Line N)	41,443,864
P	Percent Unaccounted for Water (Line O divided by Line D times 100)	50.485%

Q Other (explain)

See Below

Explain Other:

None

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



**COMPLIANCE AND
INTERNAL CONTROL**

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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

Mayor and Board of Aldermen
Town of Alexandria, Tennessee
Alexandria, Tennessee

I have audited the financial statements of the governmental activities, the business type activities and each major fund information of the Town of Alexandria as of and for the year ended June 30, 2011, and have issued a report thereon dated November 30, 2011. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, I identified deficiencies in internal control over financial reporting that I consider to be a material weakness (2009-01 Lack of segregation of Duties), and we identified deficiencies in internal control over financial reporting that I consider to be significant deficiencies (2006-A-2, 2006-A-3, 2006-A-4).

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described below (2009-01) to be a material weakness.

The material weakness is as follows:

2009-1 Separation of Duties

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

Management Response:

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

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

The significant deficiencies are as follows:

2006-A-2 – Accounting Records

Finding: The following items were noted in our examination and/or testing of the Town's accounting records:

1. The utility customer accounts receivable balance in the general ledger was not reconciled to the subsidiary records each month.

Recommendation: The Board should correct these items by implementing the following:

1. The accounts receivable balance in the general ledger should by reconciled to the subsidiary records each month.

Management Response:

1. We agree with your recommendation.

Disposition: Item 1, has seen no improvements.

2006-A-3 – Cash Disbursements

Finding: The following items were noted in our testing of cash disbursements:

1. There was no documentation that the invoices were verified or approved for payment and no documentation that the goods or services had been received.
2. There was no supporting documentation on file for several disbursements tested.

Recommendation: The Board should correct these items by implementing the following:

1. Each invoice should by documented as verified or approved for payment before the check is prepared. There should by documentation that the goods or services had been received. Check signers should verify that this documentation is present before signing any check and should refuse to sign checks that do not include all documentation.
2. Supporting documentation (receipts) should by obtained for each check issued.

Management Response:

1. We agree with your recommendation.
2. We agree with your recommendation.

Disposition: Conditions continue to exist.

2006-A-4 – Board Policies

Finding: The Board had not adopted a comprehensive purchasing policy or a travel policy as required by state law.

Recommendation: The Board should adopt a purchasing policy and travel policy as required by state law. The Board should contact the Municipal Technical Advisory Service (MTAS) for examples of these policies.

Management Response: We agree with your recommendation.

Disposition: Conditions continue to exist.

Compliance and Other Matters

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

2010 -2 Drug Fund Budget not Approved

The Town did not approve a budget for the revenue and expenditures of the Drug Fund.

Recommendation: The Town should approve a budget for all funds.

Management's Response: We will approve a Budget for all funds starting with the 2010-2011 fiscal year.

Disposition: No budget was approved for the Drug fund during the 2010-2011 fiscal year.

2010-3 Operating Budgets Exceeded

Currently, formal financial budgets are prepared and approved by the Board. Although budgets are prepared, they are not used effectively to produce variance reports which management could use in evaluating the operating results. The operating budgets should be used to compare monthly and year-to-date actual results. Significant variances should be investigated, explained and documented. Budgets provide management with an invaluable tool for conveying its goals and for monitoring the Town's progress. If used effectively, budgets can help the Town immediately identify potential problem areas and provide a basis to measure and assess the reliability of the monthly and financial operating results. As key management decisions are based on the Town's operating results, reliable information provided in the monthly reports becomes a more critical factor to the Town's success.

Management Response

We will prepare these reports on a monthly basis and make adjustments to budgets as necessary.

Disposition: Exceptions occurred in the current year.

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

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

Joli R Poole, CPA

November 30, 2011