

TOWN OF ALEXANDRIA, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2012

TOWN OF ALEXANDRIA, TENNESSEE

Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Officials of the Town of Alexandria, Tennessee	I
FINANCIAL SECTION:	
Independent Auditor's Report	1-2
Management Discussion and Analysis	3-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of Balance Sheet to Statement of Net Assets of Governmental Activities ..	15
Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Fund .	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance Of Governmental Funds to the Statement of Activities	17
Statement of Net Assets - Proprietary Fund	18
Statement of Revenues, Expenses and Changes in Fund Net Assets- Proprietary Fund	19
Statement of Cash Flows - Proprietary Fund	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) And Actual	
General Fund	21-23
State Street Aid Fund	24
Drug Fund	25
Notes to Financial Statements	27-34

TOWN OF ALEXANDRIA, TENNESSEE

Table of Contents, Continued

Page Number

Financial Schedules

Capital Assets Used in the Operation of the Governmental Funds:

Schedule of Changes in Capital Assets - By Type	36
Schedule of Capital Assets by Function and Activity	37
Schedule of Cash and Cash Equivalents and Certificate of Deposits - All Funds.	38
Schedule of Changes in Property Taxes Receivable.	39
Schedule of Debt Service Requirements - Utility Fund	40
Schedule of Insurance Coverage	41
Schedule of Utility Rates and Information	42
Schedule of Federal and State Financial Assistance	43
Schedule of Unaccounted for Water	44

COMPLIANCE AND INTERNAL CONTROL:

Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45-47
---	-------

INTRODUCTORY SECTION

TOWN OF ALEXANDRIA, TENNESSEE

Officials of the Town of Alexandria, Tennessee

June 30, 2012

<u>Name</u>	<u>Title</u>
Elected Officials:	
Maria Baker	Mayor
Jim York	Alderman
Derrick Baker	Alderman
Tony Tarpley	Alderman
Pat Jackson	Alderman
Addie Farley	Alderman
Darrell Dixon	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, 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 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, 2012, 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 and Drug Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 15, 2012 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.

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

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section and the Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The Introductory Section and the Supplementary Information (except for the Schedule of Unaccounted for Water) have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the Introductory Section and the Supplementary Information (except for the Schedule of Unaccounted for Water), is fairly stated in all material respects in relation to the basic financial statements as a whole. The Schedule of Unaccounted for Water has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

John R Poole, CPA

December 15, 2012

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, 2012. 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 \$2,570,619. Of this amount, \$401,233 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net assets increased by \$53,313 during the current year, as revenues increased by \$59,841, as the Town received a fire equipment grant of \$55,539. The Utility fund had a decrease in net assets of \$37,660, even as user charges increased during the current year.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$127,798 an increase of \$62,135 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 repair and maintenance costs. During the year the Town purchased \$55,657 in capital assets.

The Town's total debt decreased by \$16,569 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 and the drug 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 21-25 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 proprietary fund financial 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 \$2,570,619 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- 2012

	Governmental Activities	Business-type Activities
Current and other assets	\$ 267,174	\$ 396,069
Capital assets	<u>369,163</u>	<u>2,244,533</u>
Total assets	636,337	2,640,602
Long-term liabilities outstanding	0	531,497
Other liabilities	<u>139,376</u>	<u>35,447</u>
Total liabilities	139,376	566,944
Net assets:		
Invested in capital assets, net of related debt	369,163	1,719,239
Restricted	49,983	31,001
Unrestricted	<u>77,815</u>	<u>323,418</u>
Total net assets	\$ 496,961	\$2,073,658

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

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 2012 and 2011 Governmental Activities and Business-type Activities

	2012 Governmental Activities	2011 Governmental Activities	Total	2012 Business- type Activities	2011 Business- type Activities	Business- type Activities
Revenues:						
Program revenues:						
Charges for services	48,718	39,565	9,153	567,754	462,757	104,997
Operating grants and contributions	31,644	35,902	(4,258)	0	0	0
Capital grants and contributions	55,539	0	55,539	0	57,087	(57,087)
General revenues:						
Property taxes	105,708	115,440	(9,732)	0	0	0
Sales taxes	127,486	106,521	20,965	0	0	0
Other local taxes	45,191	38,120	7,071	0	0	0
Other state shared taxes	6,190	5,385	805	0	0	0
Other	3,521	23,223	(19,702)	832	573	259
Total revenues	<u>\$423,997</u>	<u>\$364,156</u>	<u>\$59,841</u>	<u>\$568,586</u>	<u>\$520,417</u>	<u>\$48,169</u>
Expenses:						
General government	82,693	104,686	(21,993)	0	0	0
Police department	166,435	175,111	(8,676)	0	0	0
Fire department	23,353	13,918	9,435	0	0	0
Highways and streets	60,543	37,375	23,168	0	0	0
Water and sewer	0	0	0	606,246	615,721	(9,475)
Total expenses	<u>\$333,024</u>	<u>\$331,090</u>	<u>\$1,934</u>	<u>\$606,246</u>	<u>\$615,721</u>	<u>(\$9,475)</u>
Increases in net assets	90,973	33,066	57,907	(37,660)	(95,304)	57,644

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 21-25 for further analysis.

Capital Asset and Debt Administration

Capital Assets

The Town of Alexandria's investment in capital assets from its governmental \$369,163 and business-type activities at June 30, 2012, amounts to \$2,244,533 (net of 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:

* Purchase of \$48,578 primarily for fire equipment.

Town of Alexandria's Capital Assets -2012

	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>168,019</u>	<u>19,191</u>
Less accumulated depreciation	(1,033,860)	(2,641,533)
Net Capital Assets	\$ <u>369,163</u>	\$ <u>2,244,533</u>

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>

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 \$531,497. 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 \$16,569 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

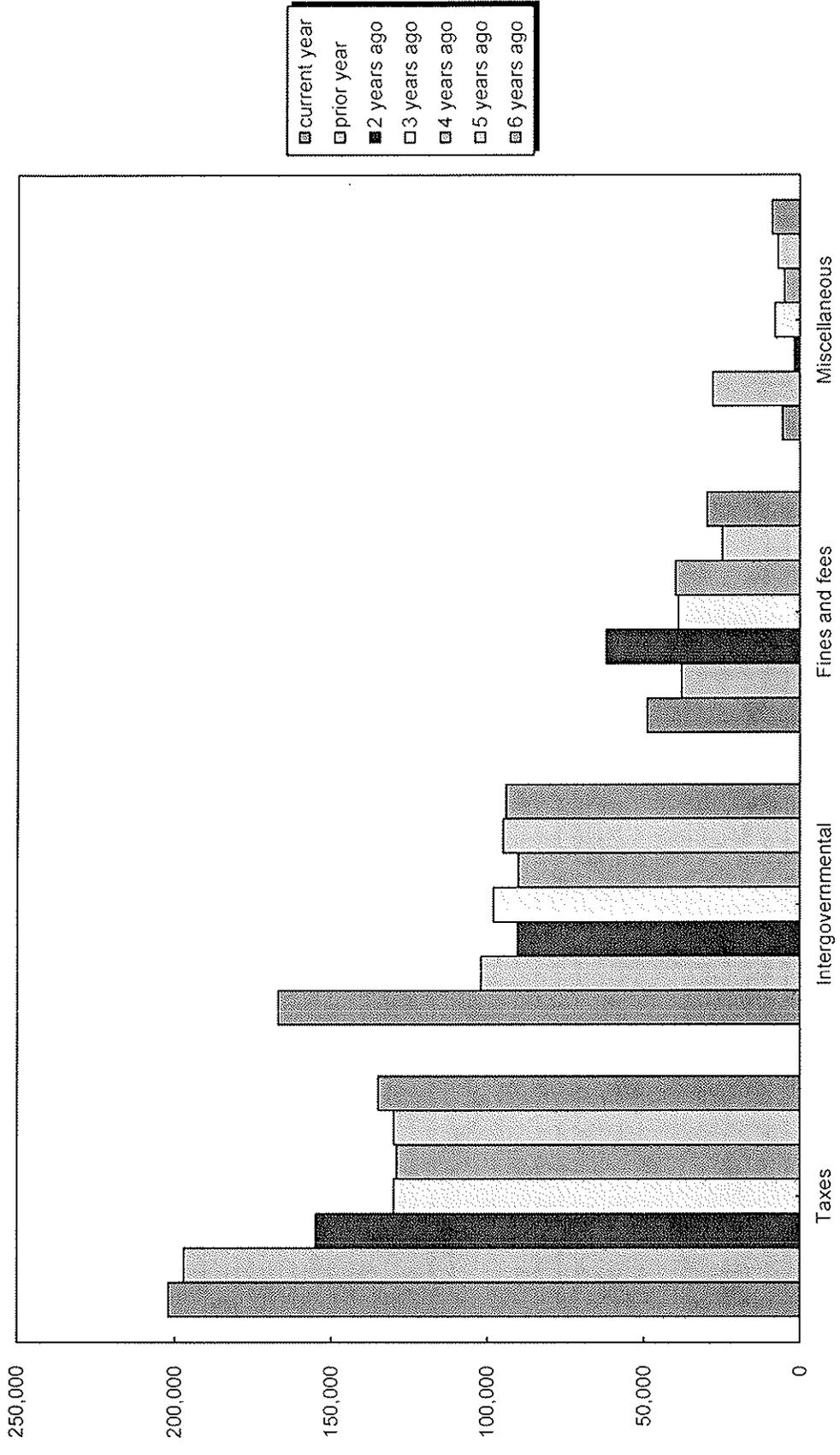
In the 2012-2013 budget, General fund revenues are budgeted to increase from the 2011-2012 budget year primarily due to increases in overall prices. The Town's budget should benefit by an expanding commercial and retail base producing increased local sales tax receipts.

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:

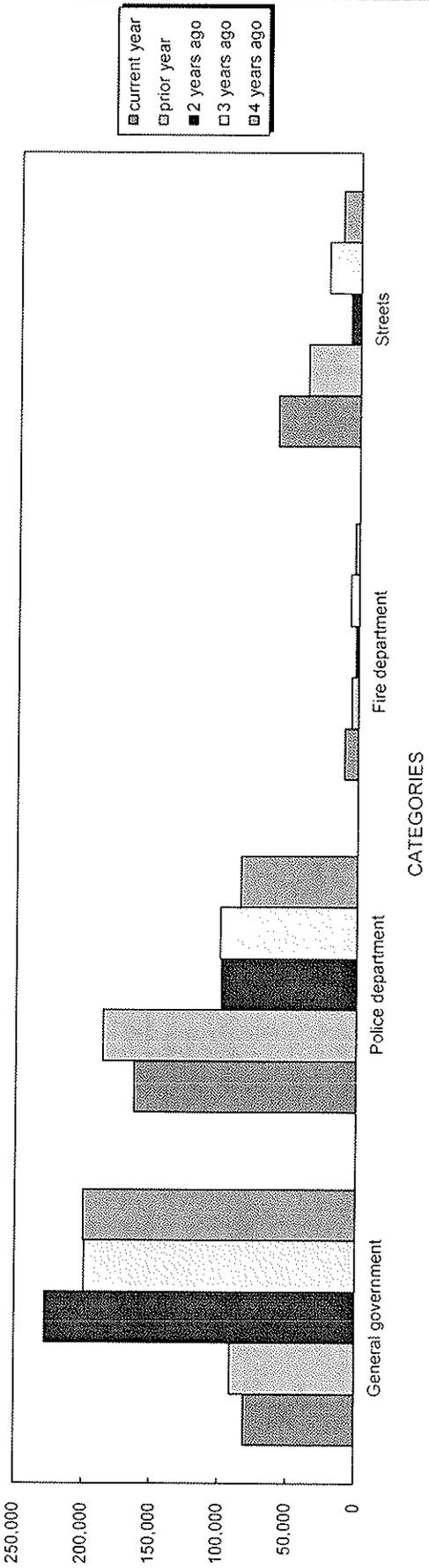
Ashley Roth
Town of Alexandria

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



- current year
- prior year
- 2 years ago
- 3 years ago
- 4 years ago
- 5 years ago
- 6 years ago

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



BASIC FINANCIAL STATEMENTS

TOWN OF ALEXANDRIA, TENNESSEE
Statement of Net Assets
June 30, 2012

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	224,501	188,124	412,625
Cash and cash equivalents - restricted	0	31,001	31,001
Certificates of deposit	0	10,235	10,235
Receivables:			
Internal balances	145,026	58,153	203,179
Other assets	(102,353)	102,353	0
Capital assets not being depreciated	0	6,203	6,203
Capital assets, net of accumulated depreciation	121,100	82,514	203,614
	<u>248,063</u>	<u>2,162,019</u>	<u>2,410,082</u>
Total Assets	<u>636,337</u>	<u>2,640,602</u>	<u>3,276,939</u>
Liabilities			
Accounts payable	10,710	28,917	39,627
Accrued expenses	905	6,530	7,435
Deferred revenue	127,761	0	127,761
Long-term liabilities:			
Due within one year	0	17,380	17,380
Due in more than one year	0	514,117	514,117
Total Liabilities	<u>139,376</u>	<u>566,944</u>	<u>706,320</u>
Net assets:			
Investments in capital assets, net of related debt	369,163	1,719,239	2,088,402
Restricted	0	31,001	31,001
Restricted - state street aid funds	38,994	0	38,994
Restricted - drug funds	10,989	0	10,989
Unrestricted	77,815	323,418	401,233
Total Net Assets	<u>496,961</u>	<u>2,073,658</u>	<u>2,570,619</u>

See accompanying notes to financial statements.

TOWN OF ALEXANDRIA, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2012

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	82,693	0	2,050	0	(80,643)	0	(80,643)
Police department	166,435	48,718	2,864	0	(114,853)	0	(114,853)
Fire department	23,353	0	0	55,539	32,186	0	32,186
Highways and streets	60,543	0	26,730	0	(33,813)	0	(33,813)
Total Governmental Activities	<u>333,024</u>	<u>48,718</u>	<u>31,644</u>	<u>55,539</u>	<u>(197,123)</u>	<u>0</u>	<u>(197,123)</u>
Business - type Activities:							
Water and Sewer	606,246	567,754	0	0	0	(38,492)	(38,492)
Total Business Type Activities	<u>606,246</u>	<u>567,754</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(38,492)</u>	<u>(38,492)</u>
Total	<u>939,270</u>	<u>616,472</u>	<u>31,644</u>	<u>55,539</u>	<u>(197,123)</u>	<u>(38,492)</u>	<u>(235,615)</u>
General Revenues:							
Property taxes				75,001	0	0	75,001
Public utilities tax				30,707	0	0	30,707
Sales taxes				127,486	0	0	127,486
Alcohol taxes				36,782	0	0	36,782
Cable franchise				8,409	0	0	8,409
Income and excise tax				6,190	0	0	6,190
Other				3,521	832	832	4,353
Total general revenues				<u>288,096</u>	<u>832</u>	<u>832</u>	<u>288,928</u>
Changes in net assets				90,973	(37,660)		53,313
Net assets - beginning of year				405,988	2,111,318		2,517,306
Net assets - ending of year				<u>496,961</u>	<u>2,073,658</u>		<u>2,570,619</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

TOWN OF ALEXANDRIA, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2012

<u>Assets</u>	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$174,606	\$38,906	\$10,989	\$224,501
Property tax receivable	120,109	0	0	120,109
Accounts receivable	20,043	4,874	0	24,917
Total Assets	<u>\$314,758</u>	<u>\$43,780</u>	<u>\$10,989</u>	<u>\$369,527</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	\$7,950	\$2,760	\$0	\$10,710
Accrued expenses	905	0	0	905
Due to other funds	102,353	0	0	102,353
Deferred revenue	125,735	2,026	0	127,761
Total Liabilities	<u>236,943</u>	<u>4,786</u>	<u>0</u>	<u>241,729</u>
Fund Equity:				
Fund balance:				
Unassigned	54,795	0	0	54,795
Assigned - Industrial park	19,680	0	0	19,680
Assigned - Cemetery	3,340	0	0	3,340
Restricted	0	38,994	10,989	49,983
Total Fund Balance	<u>77,815</u>	<u>38,994</u>	<u>10,989</u>	<u>127,798</u>
Total Liabilities and Fund Equity	<u>\$314,758</u>	<u>\$43,780</u>	<u>\$10,989</u>	<u>\$369,527</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, 2012

Amounts reported for fund balance - total governmental funds	\$ 127,798
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>369,163</u>
Net assets of governmental activities	\$ <u><u>496,961</u></u>

TOWN OF ALEXANDRIA, TENNESSEE

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

For the Year Ended June 30, 2012

	General <u>Fund</u>	State Street <u>Aid Fund</u>	Drug <u>Fund</u>	Total Governmental <u>Funds</u>
Revenues:				
Taxes	202,485	0	0	202,485
Intergovernmental	140,493	26,730	0	167,223
Fines and fees	43,482	0	5,236	48,718
Miscellaneous	5,535	0	36	5,571
Total Revenues	<u>\$391,995</u>	<u>\$26,730</u>	<u>5,272</u>	<u>423,997</u>
Expenditures:				
Current:				
General government	73,080	0	0	73,080
Police department	161,120	0	1,478	162,598
Fire department	9,984	0	0	9,984
Highway and streets	21,165	39,378	0	60,543
Capital outlay				
General government	7,079	0	0	7,079
Fire department	48,578	0	0	48,578
Total Expenditures	<u>\$321,006</u>	<u>\$39,378</u>	<u>1,478</u>	<u>361,862</u>
Excess (deficiency) of revenues over expenditures	<u>70,989</u>	<u>(12,648)</u>	<u>3,794</u>	<u>62,135</u>
Operating transfer	(8,834)	8,834	0	0
Net change in fund balance	<u>62,155</u>	<u>(3,814)</u>	<u>3,794</u>	<u>62,135</u>
Fund Balance, Beginning of year	15,660	42,808	7,195	65,663
Fund Balance, End of Year	<u>\$77,815</u>	<u>\$38,994</u>	<u>\$10,989</u>	<u>\$127,798</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, 2012

Net change in fund balances - total governmental funds: \$ 62,135

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	55,657
Depreciation expense	<u>(26,819)</u>

Change in net assets of governmental activities \$ 90,973

TOWN OF ALEXANDRIA, TENNESSEE

Statement of Net Assets

Utility Fund

June 30, 2012

Assets

Current Assets:

Cash and cash equivalents	\$188,124
Certificate of deposits	10,235
Due from funds	102,353
Customer accounts receivable, net of allowance of \$1,000	58,153
Total Current Assets	<u>358,865</u>

Capital Assets:

Utility plant in service	4,806,910
Construction in progress	79,156
Less accumulated depreciation	(2,641,533)
Total Capital Assets, Net	<u>2,244,533</u>

Other Assets:

Bond issuance costs	<u>6,203</u>
---------------------	--------------

Restricted Assets:

Cash and cash equivalents	<u>31,001</u>
---------------------------	---------------

Total Assets	<u>\$2,640,602</u>
--------------	--------------------

Liabilities and Fund Equity

Current Liabilities (payable from current assets):

Accounts payable	\$28,917
Accrued liabilities	6,530
Current portion of long-term debt	17,380
Total Current Liabilities (payable from current assets)	<u>52,827</u>

Long-Term Debt	<u>514,117</u>
----------------	----------------

Total Liabilities	<u>\$566,944</u>
-------------------	------------------

Net Assets:

Invested in capital assets, net of related debt	1,719,239
Restricted	31,001
Unrestricted	323,418

Total Net Assets	<u>\$2,073,658</u>
------------------	--------------------

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, 2012

Operating Revenues:	
Metered sales	\$567,754
Total Operating Revenues	<u>567,754</u>
Operating Expenses:	
Salaries and payroll taxes	27,558
Dues	1,461
Water purchased	181,711
Repair and maintenance	1,830
Contract services	108,002
Supplies	52,248
Utilities	49,340
Office expense	3,765
Insurance	12,529
Amortization	1,034
Depreciation	139,216
Miscellaneous	2,625
Total Operating Expenses	<u>581,319</u>
Operating income (loss)	<u>(13,565)</u>
Nonoperating Revenues (Expenses):	
Interest expense	(24,927)
Interest income	832
Total Nonoperating Revenues (Expenses)	<u>(24,095)</u>
Net change in assets	(37,660)
Net Assets, July 1, 2011	<u>2,111,318</u>
Net Assets, June 30, 2012	<u>\$2,073,658</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, 2012

Cash Flows from Operating Activities:	
Cash received from customers	538,669
Cash paid to employees	(27,558)
Cash paid to suppliers	(405,426)
Net Cash Provided by Operating Activities	<u>105,685</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of plant and equipment	0
Interest paid	(24,927)
Repayment of debt	(16,569)
Net Cash Used by Capital and Related Financing Activities	<u>(41,496)</u>
Cash Flows from Investing Activities:	
Interest received	832
Net Cash Provided by Investing Activities	<u>832</u>
Net Increase in Cash	65,021
Cash and Cash Equivalents, July 1, 2011	154,104
Cash and Cash Equivalents, June 30, 2012	<u>219,125</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	(13,565)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	140,250
Change in assets (increase) decrease:	
Accounts receivable	(29,085)
Due from other funds	5,050
Change in liabilities increase (decrease):	
Accounts payable and accrued liabilities	3,035
Net Cash Provided by Operating Activities	<u>105,685</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, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Taxes:				
Property taxes	\$91,546	\$91,546	\$75,001	(16,545)
Public utility taxes	20,000	20,000	19,546	(454)
Local sales tax	38,000	38,000	63,221	25,221
Beer tax	24,000	24,000	36,308	12,308
Cable franchise fee	7,000	7,000	8,409	1,409
Total Taxes	<u>180,546</u>	<u>180,546</u>	<u>202,485</u>	<u>21,939</u>
Intergovernmental:				
TVA in lieu	9,358	9,358	11,161	1,803
State sales tax	60,000	60,000	64,265	4,265
State excise tax	0	0	5,651	5,651
State income tax	0	0	539	539
State beer tax	0	0	474	474
State grants	23,972	23,972	58,403	34,431
Total Intergovernmental Revenue	<u>93,330</u>	<u>93,330</u>	<u>140,493</u>	<u>47,163</u>
Fines	<u>72,000</u>	<u>72,000</u>	<u>43,482</u>	<u>(28,518)</u>
Miscellaneous:				
Donations	0	0	2,050	2,050
Miscellaneous	1,500	1,500	3,485	1,985
Total Miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>5,535</u>	<u>4,035</u>
Total Revenues	<u>347,376</u>	<u>347,376</u>	<u>391,995</u>	<u>44,619</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, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Expenditures:				
General Government:				
Current:				
Personnel costs	\$32,032	\$32,032	\$18,308	(13,724)
Payroll taxes	10,000	10,000	5,027	(4,973)
Supplies	10,000	10,000	4,644	(5,356)
Utilities	4,000	4,000	7,881	3,881
Professional services	24,000	24,000	12,192	(11,808)
Maintenance and repair	7,000	7,000	2,968	(4,032)
Insurance	12,000	12,000	12,043	43
Industrial development	20,632	20,632	0	(20,632)
Senior Citizens	0	0	4,303	4,303
Parks and recreation	3,340	3,340	2,719	(621)
Election	2,000	2,000	1,410	(590)
Miscellaneous	1,600	1,600	1,585	(15)
	<u>126,604</u>	<u>126,604</u>	<u>73,080</u>	<u>(53,524)</u>
Capital outlay	0	0	7,079	7,079
Total General Government	<u>126,604</u>	<u>126,604</u>	<u>80,159</u>	<u>(46,445)</u>
Public works:				
Current:				
Supplies and repairs	\$26,632	\$26,632	\$21,165	(5,467)
Miscellaneous	0	0	0	0
	<u>26,632</u>	<u>26,632</u>	<u>21,165</u>	<u>(5,467)</u>
Capital outlay	0	0	0	0
Total Public works	<u>26,632</u>	<u>26,632</u>	<u>21,165</u>	<u>(5,467)</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, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Expenditures:				
Public Safety:				
Police department:				
Salaries	\$85,860	\$85,860	\$107,387	21,527
Dekalb 911	21,660	21,660	25,992	4,332
Supplies	10,500	10,500	8,702	(1,798)
Maintenance and repair	3,000	3,000	2,423	(577)
Vehicle expenses	12,222	12,222	15,337	3,115
Miscellaneous	0	0	1,279	1,279
	<u>133,242</u>	<u>133,242</u>	<u>161,120</u>	<u>27,878</u>
Capital outlay	0	0	0	0
Total Police department	<u>133,242</u>	<u>133,242</u>	<u>161,120</u>	<u>27,878</u>
Fire department:				
Supplies	6,000	6,000	9,570	3,570
Miscellaneous	0	0	414	414
	<u>6,000</u>	<u>6,000</u>	<u>9,984</u>	<u>3,984</u>
Capital outlay	0	0	48,578	48,578
Total Fire department	<u>6,000</u>	<u>6,000</u>	<u>58,562</u>	<u>52,562</u>
Total Expenditures	<u>292,478</u>	<u>292,478</u>	<u>321,006</u>	<u>28,528</u>
Excess (deficiency) of Revenues over Expenditures	54,898	54,898	70,989	16,091
Operating transfer out	0	0	(8,834)	(8,834)
Net change in fund balance	<u>54,898</u>	<u>54,898</u>	<u>62,155</u>	<u>7,257</u>
Fund Balance, July 1, 2011	15,660	15,660	15,660	0
Fund Balance, June 30, 2012	<u>\$70,558</u>	<u>\$70,558</u>	<u>\$77,815</u>	<u>\$7,257</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

State Street Aid Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Intergovernmental:				
Gasoline .03 tax	6,000	6,000	5,078	(922)
Gasoline 1989 tax	2,500	2,500	2,736	236
Gasoline and motor fuel	11,800	11,800	16,953	5,153
Special petroleum tax	2,000	2,000	1,963	(37)
Total Revenues	<u>22,300</u>	<u>22,300</u>	<u>26,730</u>	<u>4,430</u>
Expenditures:				
Streets:				
Utilities	10,000	10,000	11,873	(1,873)
Vehicle expense	3,000	3,000	3,892	(892)
Maintenance and supplies	4,000	4,000	10,526	(6,526)
Insurance	1,000	1,000	12,831	(11,831)
Miscellaneous	300	300	256	44
Capital outlay	4,000	4,000	0	4,000
Total Expenditures	<u>22,300</u>	<u>22,300</u>	<u>39,378</u>	<u>(17,078)</u>
Excess (deficiency) of revenues over expenditures	0	0	(12,648)	12,648
Operating transfer in	0	0	8,834	8,834
Fund Balance, July 1, 2011	<u>42,808</u>	<u>42,808</u>	<u>42,808</u>	<u>-</u>
Fund Balance, June 30, 2012	<u>\$42,808</u>	<u>\$42,808</u>	<u>38,994</u>	<u>\$3,814</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, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Fines and seizures	\$4,591	\$4,591	5,236	645
Miscellaneous:				
Interest	0	0	36	36
Total Revenues	<u>4,591</u>	<u>4,591</u>	<u>5,272</u>	<u>681</u>
Expenditures:				0
Supplies	4,591	4,591	1,478	3,113
Capital outlay	0	0	0	0
Total Expenditures	<u>4,591</u>	<u>4,591</u>	<u>1,478</u>	<u>3,113</u>
Excess (deficiency) of revenues over expenditures	0	0	3,794	(3,794)
 Fund Balance, July 1, 2011	 <u>7,195</u>	 <u>7,195</u>	 <u>7,195</u>	 <u>-</u>
Fund Balance, June 30, 2012	<u><u>\$7,195</u></u>	<u><u>\$7,195</u></u>	<u><u>10,989</u></u>	<u><u>3,794</u></u>

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

NOTES TO THE FINANCIAL
STATEMENTS

TOWN OF ALEXANDRIA, TENNESSEE

Notes to Financial Statements

June 30, 2012

(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, 2012

(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.

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, 2012

(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 \$0.7896 per \$100 of assessed valuation for the fiscal year ended June 30, 2012.

Payments may be made during the period from October 1 through February 28. Current tax collections of \$96,657 for the fiscal year ended June 30, 2012 were approximately 93 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, 2012

(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.

When unrestricted funds are used the Town uses committed, assigned then unassigned funds.

TOWN OF ALEXANDRIA, TENNESSEE

Notes to Financial Statements

June 30, 2012

(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 (via ordinance) can fund balance amounts be classified as committed or assigned. Board approval (via ordinance) is required to establish, modify or rescind a fund balance requirement.

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	\$133,242	161,120	27,878
Fire department	6,000	58,562	52,562
State Street Aid	22,300	39,378	17,078

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, 2012, consists of the following:

<u>Fund</u>	<u>Other Governments</u>	<u>Property Taxes</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	20,043	120,109	-	140,152
Special Revenue Funds	4,874	-	-	4,874
Enterprise Fund	-	-	59,153	59,153
Less allowance for doubtful accounts	-	-	(1,000)	(1,000)
Total	<u>24,917</u>	<u>120,109</u>	<u>58,153</u>	<u>203,179</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, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Land and land rights	\$ 121,100	-	-	121,100
Buildings and improvements	1,113,904	-	-	1,113,904
Equipment and vehicles	<u>112,362</u>	<u>55,657</u>	-	<u>168,019</u>
Total	1,347,366	<u>55,657</u>	-	1,403,023
Less Accumulated depreciation)	(1,007,041)			(1,033,860)
Net capital assets in service	\$ <u>340,325</u>			<u>369,163</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	<u>13,369</u>
Total	\$ <u>26,819</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 June 30, 2011</u>	<u>Additions</u>	<u>Disposal</u>	<u>Balance June 30, 2012</u>
Utility plant	\$ 4,784,361	-	-	4,784,361
Construction in progress	79,156	-	-	79,156
Equipment	19,191	-	-	19,191
Land	3,358	-	-	3,358
	<u>4,886,066</u>	<u>-</u>	<u>-</u>	<u>4,886,066</u>
Less accumulated depreciation	<u>(2,502,318)</u>			<u>(2,641,533)</u>
Net plant in service	\$ <u>2,383,748</u>			<u>2,244,533</u>

All assets except land of \$3,358 and construction in progress of \$79,156 is being depreciated. Depreciation expense was \$139,216 in 2012.

(5) Bonds and Notes Payable

The following schedule reflects the changes in long-term debt, as shown in the Utility Fund during fiscal year 2012.

	<u>Balance July 1, 2011</u>	<u>Addi- tions</u>	<u>Retire- ments</u>	<u>Balance June 30, 2012</u>
Bonds and Loan Payable:				
1987 Series Bonds	84,885	-	(9,280)	76,605
1999 Series Bonds	79,060	-	(1,583)	77,477
2001 Series Bonds	295,393	-	(5,160)	290,233
2001A Series Bonds	<u>88,728</u>	<u>-</u>	<u>(1,546)</u>	<u>87,182</u>
Total	548,066	-	(16,569)	531,497

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, 2012 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2013	17,380	24,470
2014	18,228	23,704
2015	19,117	22,900
2016	20,049	22,057
2017	21,029	21,171
2018-2022	88,105	93,016
2023-2027	74,916	79,106
2028-2032	93,999	63,983
2033-2037	116,899	41,157
2038-2040	61,775	4,098
Total	<u>531,497</u>	<u>395,662</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 (\$102,353). 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, 2012

Capital Assets:	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <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>112,362</u>	<u>55,657</u>	<u>0</u>	<u>168,019</u>
Total capital assets	<u>\$1,347,366</u>	<u>55,657</u>	<u>0</u>	<u>1,403,023</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, 2012

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	84,089	84,089
Public works	0	0	4,377	4,377
Parks department	<u>0</u>	<u>0</u>	<u>28,079</u>	<u>28,079</u>
Total capital assets	<u>\$121,100</u>	<u>1,113,904</u>	<u>168,019</u>	<u>1,403,023</u>

TOWN OF ALEXANDRIA, TENNESSEE

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

June 30, 2012

	<u>Carrying Value</u>
General Fund:	
Demand deposits	174,606
Total General Fund	<u>174,606</u>
State Street Aid Fund:	
Demand deposits	38,906
Total State Street Aid Fund	<u>38,906</u>
Drug Fund:	
Demand deposits	10,989
Total Drug Fund	<u>10,989</u>
Utility Fund:	
Demand deposits	219,125
Certificate of Deposit	<u>10,235</u>
Total Utility Fund	<u>229,360</u>
Total - All funds	<u><u>\$453,861</u></u>

TOWN OF ALEXANDRIA, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2012

<u>Tax Year</u>	<u>Balance July 1, 2011</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2012</u>
2012	\$ -	95,853	0	95,853
2011	95,853	8,796	96,657	7,992
2010	11,046	0	2,723	8,323
2009	10,052	0	2,111	7,941
2008	5,202	0	5,202	0
2007	5,076	0	5,076	0
	<u>\$127,229</u>	<u>104,649</u>	<u>111,769</u>	<u>120,109</u>

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Tax Adjustment and Collections</u>	<u>Outstanding Delinquent Taxes</u>
2012	\$ 0.7896	\$ 95,853	\$ 0	\$ 95,853
2011	0.7896	104,649	96,657	7,992
2010	0.7615	104,982	96,659	8,323
2009	0.7615	95,853	87,912	7,941
2008	0.7615	95,459	95,459	0
2007	0.85	95,710	95,710	0
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 2011 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, 2012

Year	1987 SERIES BONDS		1999 SERIES BONDS		2001 SERIES BONDS		2001A SERIES BONDS		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	18,238	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	5,480	73	2,342	3,976	7,367	10,981	2,208	3,300	17,397	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	-	-	4,183	80	15,810	2,538	4,739	769	24,732	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	-	-	-	-	13,551	271	4,252	87	17,803	358
\$	76,605	15,300	77,477	95,504	290,233	218,985	87,182	65,873	531,497	395,662

TOWN OF ALEXANDRIA, TENNESSEE

Schedule of Insurance Coverage

June 30, 2012

<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, 2012

Water rates:- Inside City- Residential

Minimum 2,000 gallons	19.75
Over 2,000 gallons	\$7.00 per thousand gallons

Sewer rates:- Inside City- Residential

Minimum 2,000 gallons	19.75
Over 2,000 gallons	\$7.00 per thousand gallons

Water rates:- Outside City - Residential

Minimum 2,000 gallons	28.52
Over 2,000 gallons	\$7.00 per thousand gallons

At yearend, the Town had approximately 825 Water customers and approximately 365 Sewer customers.

TOWN OF ALEXANDRIA, TENNESSEE

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2012

CFDA Number	State Grant Number	Program Name	Grantor Agency	Receivable (Deferred) Balance June 30, 2011	Grant Receipts	Other Receipts	Grant Expenditures	Receivable (Deferred) Balance June 30, 2012
Federal Program:								
83.544	N/A	Firefighters Assistance	FEMA	\$0	55,539	0	55,539	0
State Program:								
N/A	Z10023716	Highway Safety	Tennessee Department of Transportation	\$0	2,864	0	2,864	0
Totals				<u>0</u>	<u>58,403</u>	<u>0</u>	<u>58,403</u>	<u>0</u>

TOWN OF ALEXANDRIA, TENNESSEE

Schedule of Unaccounted For Water

For the year ended June 30, 2012

Water Treated and Purchased	(all amounts in gallons)
Water Pumped	0
Water Purchased	61,216,521
Total Water Treated and Purchased	<u>61,216,521</u>
Water sold	48,471,030
Metered for consumption	0
Fire department usage	62,500
Flushing	212,470
Tank Cleaning	0
Street Cleaning	0
Bulk sales	0
Water Bill adjustments	0
Total accounted for water	<u>48,746,000</u>
Unaccounted for water	12,470,521
Percent Unaccounted for water	20%
Other	0

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

**COMPLIANCE AND
INTERNAL CONTROL**

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

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

Mayor and Board of Aldermen
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, 2012, and have issued a report thereon dated December 15, 2012. 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-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-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 polices.

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*.

2010-3 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.

John R. Poole, CPA

December 15, 2012